

Europe's Business Newspaper

talks with US

on nuclear plans

North Korea yesterday indicated it would resume negotiations with the US and South Korea to

ease tensions over its nuclear programme in spite of postponing the meetings after the death of its president Kim II-sung. In a message to the

US, Pyongyang suggested talks in Geneva would be reopened as early as next week, after Mr Kim's fimeral on Sunday. Page 16; Japanese reaction,

UK to put up benefits barrier: The UK

government announced it was stopping the pay-

temporary visits to the UK to prevent "benefits

FIA kills Protestant militant: Security force

in Northern Ireland were on full alert today for

the traditional Twelfth of July Parades by thou-

in Lisburn of Ray Smallwood, aged 44, a leading

sands of Protestants. This followed the IRA murder

hard-line Protestant spokesman for the Ulster Democratic party which has links with paramilitary

Lift mission ordered out: Haiti's army-backed

to leave the country because it threatened national

Accord in Aids dispute: French and US health researchers claim to have settled the long-standing

medical feud over who should reap the commercial and scientific rewards for discovering the Aids

expected to be critical of the regulatory authorities and the bank's management team. Page 17; Lex,

Oli workers shot dead: Gunmen disguised as Algerian police shot four Russians and a Roma-

nian working with Algeria's state oil company

France Télécom, state-owned telecommunications operator, reported a sharp

jump in net profits for last year, from FFr3.3bn

Sonatrach after stopping a bus in an Algiers sub-urb. French suspicious of US line on Algeria,

Crédit Lyonnais probe: An official French parliamentary inquiry due out today into the problems of banking group Crédit Lyonnais is

government told a UN-led human rights mission

tourism". Page 9

virus. Page 16

Basener sommit nears

Commence of the

🗱 of American State of America

ment of three categories of social security benefit to citizens of the European Economic Area on

next week become

to make an official

visit to Jordan amid

tions. Meanwhile in

the West Bank town

firing rockets killed

two Moslem militants.

signs of a thaw in rela-

of Nabhus Israeli troops



Modernising Lloyd's Electronics takes over



Polls in Ukraine Kuchma takes over again



Today's surveys

Automotive Components



FINANCIAL TIMES

TUESDAY JULY 12 1994

N Korea to reopen | Clinton fails to dispel fears that US favours benign neglect of currency

Dollar plumbs new lows as traders react to G7 summit

By Philip Gawith In London

Poreign exchange traders yesterday delivered their judg-Foreign minister Shi-mon Peres (left) will ment upon the Group of Seven's unwillingness to intervene in currency markets by driving the US dollar to record lows. the first senior Israeli

The market ignored efforts by President Bill Clinton to dispel the impression that he favoured a policy of benign neglect towards the dollar.
Mr Clinton told reporters after

meeting German chancellor Helmut Kohl in Bonn that the US would not use the dollar as an instrument of trade policy. The US currency continued to

slide after the the G7 leading

industrial nations meeting in Naples at the weekend decided to leave the fate of the dollar to the Sentiment was further soured by remarks made by Mr Clinton

in Naples which traders took to mean that the US administration would sanction a further fall in

Traders had hoped that the summit might agree a plan for concarted interest rate moves ..Page 36

and market intervention to sup-

The dollar closed in London at DM1.54 against the D-Mark down from DM1.5741 on Friday. During US trading it fell below DM1.52, the lowest level since October 1992. Against the yen it touched a new post-war low of Y97.365, from its London close of Y98.575 on Friday. Mr Theo Waigel, the German finance minister speaking at a

meeting of EU finance ministers defended the approach the G7 adopted in Naples. He said "We did enough. Now we will see what the markets will do." The dollar's weakness agains

the yen had been temporarily arrested by worries about reper-cussions in Asia from the death

ean leader. However the G7's widely predicted decision not to refer to currencies in its communique was taken by traders as a further reason to sell the US cur-

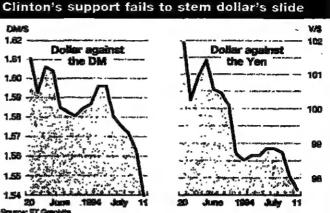
rency.

Mr Lloyd Bentsen, the US treasury secretary, and his economic team, have recently made strenuons efforts to combat the market's view that the US is prepared to allow the dollar to drift. However this view gained renewed credence from Mr Clinton's comments at the weekend which gave the impression that he would rather sanction a weaker dollar than higher interest rates.

Analysts stressed, however, that the fairly relaxed attitude of the authorities was confirmation that the dollar was in gradual decline, rather than facing a crisis. Its traded weighted value also remains more than 10 per cent above the lows it reached in 1992. Mr Steve Hannah, head of research at the Industrial Bank of Japan in London, comme



Special relationship: Bill Clinton and Helmut Kohl during a press conference yesterday at the Bonn Chancellery



Clinton and Kohl pledge common focus

By George Graham and Quentin Peel in Bonn

President Bill Clinton and Chancellor Helmut Kohl yesterday pledged themselves to close co-ordination of their efforts to bring the countries of central and eastern Europe into a common security system with the west, and to provide better trade access

(\$590m) in 1992 to FFr4.8bn. Page 17 Kabul fighting: Heavy fighting erupted in Kabul in which at least eight people were killed, clouding an Islamic peace envoy's trip to the war-shattered common focus on the stabilisa-

Berkusconi government splits Coalition partners of Italy's rightwing government are deeply divided about appointing a new management or the state broadcasting organisation, the RAL The dispute centres on moves by the three main partners to ensure they all have their nominees

Siemens, German electronics and electrical group, is to cut a further 7,000 jobs this year.

Eurofrigate deal signed: Britain, Francs and Italy agreed to develop a Eurofrigate for their navies. They plan to build 22 at a cost of 26hn-£8hn (\$9bn-\$12bn).

Payout over mercury poisoning: Chisso, Japanese chemicals maker, was ordered by a regional court to pay a total of Y276m (£1.8m) in damages to 42 claimants poisoned by mercury dumped into the sea in southern Japan during the 1950s. Page 7

US struggling to be competitive: The US has not solved the structural problems that have impaired its competitiveness, despite its recent economic turnround, says a report by the Council on Competitiveness. Page 5

Bus crashes into Yangtze: At least 29 people were reported drowned when their bus slid off a ferry and fell into China's Yangtze River.

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On the first day of a two-day lined the special relationship which has developed between the US and Germany, and which has become stronger because of their towards Europe.

tion of eastern Europe. "There's a way in which the US

diate and tangible concern with these issues, even than our other friends in Europe," he said at a joint press conference after his first round of talks with Mr Kohl. He described their "common partnership" as unique, because "so many of our challenges are just to Germany's east".

Mr Clinton is expected to make the integration of eastern and western Europe the centrepiece Gate in Berlin today. It has been billed by senior US officials as an important statement of US policy In Berlin, Mr Clinton and Mr

Kohl will also meet Mr Jacques Delors, president of the European

on the market.

paying too much.

The structure of the deal still

leaves McKesson open to higher offers for PCS. Lilly has launched a tender offer for all of McKes-

son's shares. It plans to spin off

all of McKesson's businesses, other than PCS, into a new com-

pany, shares in which will be dis-

tributed to existing McKesson shareholders. "It does open the door to other offers," PCS said

been rumoured to be interested

in buying PCS, fell 8p to 563p on

the news. The main reason, said

analysts, was that a large propor-tion of US patients would now be

more difficult for Glaxo to reach,

particularly with its top-selling

anti-ulcer drug Zantac. Merck, SmithKline Beecham

and now Eli Lilly would each

push their respective anti-ulcer products through their newly

acquired prescription manage-

ment benefit companies, Mr Dun-can Moore, pharmaceuticals ana-

Test for new formula, Page 19 CONTENTS

lyst at Morgan Stanley said.

Int. Cap Mos... Int. Companies

European Union working group on-co-ordination of policy towards eastern Europe is expected to be set up. The aim is to strengthen direct lines of communication between the US and the EU, which officials on both sides admit have become a relatively weak link in trans-

atlantic relations. In his welcome to the US president, Mr Kohl recalled with emobrought freedom to Germany" and then "defended freedom and peace and security for us here" for 40 years. He underscored the importance of maintaining a US military presence as a pillar of bind nations in the 21st century."

Germany's future security.

promise to keep 100,000 troops in

He also paid particular tribute to the US for its support for the German unification process in 1989 and 1990. "This would not have been brought about without the assistance and help of our American friends," he said.

Mr Clinton stressed that military and security links with eastern Europe, such as Nato's Partshould be complemented by bet-ter trade access for the emerging democracies. "We recognise that trade, as much as troops, will increasingly define the ties that Asked whether his "truly

unique" relationship with Germany had displaced his country's "special relationship" with the UK. Mr Clinton said the US-UK relationship was "unique in ways that nothing can ever replace because we grew out of them".

As for Germany, he said: "What we have shared since World War Two...is astonishing....The future we dream of cannot be achieved without the strong, unified efforts of

Mr Clinton said that his special relationship was not only with Germany in general but with Mr Kohl and at meetings which involved them both his response was often: "I agree with Helmut."

Coffee prices soar as second frost hits **Brazil**

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By Alison Mattland in London

Coffee futures prices yesterday leapt by 30 per cent to their highest level in more than eight years, after a second severe frost in Brazil in as many weeks raised fears of a serious shortage of beans in the next couple of years. The surge in futures prices, which have climbed by 220 per cent this year, increases the likelihood of further rises in retail coffee prices of at least 15 per cent this year, according to man-

Sainsbury, the leading UK supermarket group, yesterday announced an increase of 10p to 99p in the price of its own label instant coffee. A spokesman for Nestlé, which ralsed the price of Nescafé by 12% per cent in January, said the latest rises in world bean prices would "work their way through to the supermar-

The weekend frost prompted Brazil, which accounts for a quarter of world output, to suspend exports until it has assessed the damage. According to initial estimates, it could lose up to half next year's crop as a result of the two frosts, with temperatures falling to about minus 3 degrees celsius with ice in some places.

The freeze is not thought to have done much damage to this year's crop which is being harvested. However, the coffee trees hit by the freeze as a result will produce fewer beans next year. Both frosts affected southern parts of Minas Gerais, the most important coffee-producing state. as well as other regions.

Accu-Weather, an independent forecasting organisation, said the frost two weeks ago damaged 30 to 40 per cent of next year's crop, which had been originally estimated at between 25m and 30m bags. Saturday's frost hit a further 10 to 15 per cent of the crop. Ms Judith Ganes, soft commod-

ities analyst with Merrill Lynch in New York, said coffee futures prices could regain the all-time devastating Brazilian frost of 1975. Prices then reached the equivalent of \$7,000 a tonne. compared with yesterday's

Continued on Page 16 Commodities, Page 24

Eli Lilly pay \$4bn for drug distributor

By Richard Waters in New York and Paul Abrahams in London

Eli Lilly, the US drugs company, is to pay \$4km for PCS, a drugs distributor, in the third big acquisition of its kind in the US in less than a year.

A subsidiary of McKesson, a San Francisco-based company, PCS claims to sell drugs to 50m Americans under various health-care programmes, with sales last year of \$6.4m, making it the biggest company of its type.

The planned deal is the latest

sign of the rush by drugs compa-nies to secure distribution for their products in the US, the world's biggest pharmaceuticals market. Faced with pressure to have sought to build market share by buying distribution companies outright or gaining preferential treatment for their

products.

If completed, the deal will leave three of the biggest US distributors under the control of pharmaceutical manufacturers. Last year, Merck paid \$6.7bn for Medco Containment Services, then SmithKline Beecham agreed to acquire Diversified Pharmacetical Services for \$2.3bn.

McKesson has discussed a sale of PCS to other manufacturers recently though it did not hold a formal auction, PCS said. After other links between distributors

FT Law Pep

and manufacturers, it has been the only big retail distributor left

By Jill Barshay and Chrystia Freetand in Key

Soviet missile factory boss, won Ukraine's first presidential elec-tion since independence in 1991, defeating incumbent Leonid Kravchuk in an upset that could improve relatious between Kiev and its former Soviet neigh-

News of the deal drove McKesson's shares up by a third yester-day morning, to \$96%. By con-trast, Eli Lilly's shares slid 12 per cent to \$50% on fears that it was Shares in Glazo, which had

The 55-year-old Mr Kuchma. who campaigned to strengthen ties with Russia in order to revive Ukraine's economy, won 52 per cent of the vote compared with Mr Kravchuk's 45 per cent, a difference of about two million votes, according to the Central Election Commission's prelimi-

nary returns. The key to Mr Kuchma's victory was the unexpectedly high turnout of about 65 per cent in Ukraine's densely populated eastern regions, where residents are largely Russian speakers

Continued on Page 16 Power shifts eastward, Page 2 Editorial Comment, Page 15

Tractional College

Ukraine poll upset may improve ties with Russia

Mr Leonid Kuchma, a former

His victory raises questions about the country's pledges to the west on nuclear disarmament, and the fate of a troubled

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OECD's top Italian coalition split over new RAI board job may go to Canadian

By David Buchan in Paris

Mr Donald Johnston, a former Canadian minister, has clearly emerged as the leading candidate to head the Organisation for Economic Co-operation and Development, according to informal soundings among its 25 member governments.

These show Lord Lawson of the UK trailing in third place behind Mr Jean-Claude Paye, the French incumbent.

But it is still unclear whether or when this support for Mr Johnston will crystallise into the consensus by which the Paris-based organisation traditionally conducts its business. He appears to have some backing from the divided ranks of the 19 European members as well as solid support from the six non-Europeans.

The decision depends entirely on the Europeans at this stage," said a non-Euro-pean OECD envoy yesterday.
"They have got to make their views known." But the three European candidates - Mr Paye, Lord Lawson and Mr Lorenz Schomerus, a German are all from European Union members that have yet to take their more important decision on a new president for the European Commission "Until that decision, it is impossible for us [EU members] to get together on a new OECD head," said a European diplomat yesterday.

Ambassador Eric Röthlesberger of Switzerland, who has en given the task of sounding out countries on their preferences, said yesterday the OECD's July 28-29 council meeting, the last before the summer break, was not an essential deadline, because Mr Paye's term ended on Septem-

The 57-year-old Mr Johnston, who is now president of Canada's governing Liberal party, held several middle-ranking cabinet jobs dealing with finance, science and technology and development - all OECD issues - until his party



Mr Donald Johnston: gaining support among Europeans

lost power in 1984. He was then shadow finance minister until 1988, when he quit elected politics which he tried, but failed, to re-enter last year.

Ambassador Anne-Marie Doyle of Canada claimed yesterday that Mr Johnston was gaining "strong support across all [geographical] regions" of the OECD membership. The Canadian's most open sup-porter has been the US, which has argued that the new secretary general should be a non-European to reflect the expansion of the OECD which took in Mexico this year and may admit South Korea next year.

Despite the anonymity of the soundings, Mr Johnston's supporters claim he now has a dozen governments behind him. Mr Paye is rumoured to have the clear support of half a dozen. Lord Lawson has apparently gained little support beyond that of the UK. Mr Schomerus was never considered a serious contender out-

Of the four rivals for the OECD job, he has been the most active canvasser. After his passage through the OECD earlier this year, French and British diplomats, who are fielding their own candidates, described him as not very

prime minister, following his return up influence in a powerful state body

By Robert Graham in Rome

The naming of a new management for Italy's state broadcasting organi-sation, the RAL is proving a deeply divisive issue among the coalition partners in Italy's right-wing govern-ment. The populist Northern League has rejected a list of candidates; and the speakers of the chamber of deputies and the senate, the two institutional figures technically responsible for the nominations, have been seen

The RAI issue was top of the agenda for Mr Silvio Berlusconi, the from the Group of Seven summit in Naples. Even during the summit, Mr Berlusconi was called upon to mediate in the dispute over the appoint-

The dispute centres on moves by the three main partners in the government coalition - Mr Berlusconi's Forza Italia, the League and the neo-fascist MSI/National Alliance - to ensure they all have their own nominees represented on the board of what continues to be Italy's most influential media network. This is a classic example of the fights to carve

which so discredited successive postwar governments and which Mr Berbusconi himself has sought to avoid.

Thus his own authority is at stake. He does not wish to be seen making too many concessions to the individual interests of his partners. This explains his tough stance even at the Naples summit, refusing the call for a special meeting of his coalition par-

The one-year-old RAI board was forced to step down on June 30 following the government's threat to isation plan and emergency funding. The board, though installed as technicians, were considered too close to the previous governing parties. But the government had previously been critical of the RAI's bias against Mr

Attempts to find a quick replacement have been undermined by the League. Mr Umberto Bossi, its leader. yesterday repeated his concerns about the way the nominations were being handled. "The danger is that once the media are controlled, this will allow the consolidation of a certain group's power within the gov-

asserting his authority over

the state administration which,

during the past three years, Mr

Kravchuk has carefully stacked with his own political

supporters. Accusations from

the Kuchma team that govern-

ment officials in the electoral

commissions and state media

were biased in favour of the

president have already embit-

tered relations between

Ukraine's new leader and the

bureaucratic machine he has

is Mr Kuchma's relentless cam-

paign against corruption. In a

nation in which government

pay-offs are a way of life, he is

privately praised by Ukrainian

law-enforcement officials as

one of the country's cleanest politicians. As president, Mr

Kuchma, whose efforts to dis-

miss and jail corrupt state offi-

cials when he was prime minis-

ter were thwarted by the

president and parliament.

might well make a very public

example of some of the more

questionable business dealings

of the Kravchuk administra-

tion and the men behind them.

a modus vivendi with Ukraine's

parliament and cabinet minis-

He will also need to develop

Another source of acrimony

inherited.

ernment coalition," he said in the League's weekly newsletter.

This was a thinly veiled reference to Mr Berlusconi's existing ownership of the Fininvest media empire. which controls more than 80 per cent of Italy's commercial television. Ms Irene Pivetti, the speaker of the chamber of deputies, is a member of the League and was instrumental in blocking the first board list.

Mr Bossi yesterday also revealed in the same newsletter he would shortly be submitting to parliament an antitrust law preventing monopolistic

Political upheavals in prospect after presidential elections in two CIS states

Power shifts eastward in Ukraine voting

y electing Mr Leonid Kuchma as president in Sunday's ballot, Ukrainians have set off a political earthquake in their seemingly stagnant state. For the first time since the

country became independent in 1991, it is Russified, industrialised eastern Ukraine, rather than the intensely nationalist west, which will set the political tone in the nation. Moreover, with the ousting of Mr Leonid Kravchuk, the elaborate and powerful patronage networks the president has established in Ukraine over the past three years are set to crumble. A new guard, from the east and from the once elite and now wilting defence sector, is about to take charge of the capital.

A balding man with an unpretentious, engaging per-sonal manner, Ukraine's president-elect is an ambivalent figure. The election campaign did more to obscure than to clarify Mr Kuchma's platform, as he sought to simultaneously win the communist vote and woo market reformers, to appeal to the pro-Russian east while reassuring the rest of the nation that he would not be Moscow's pawn.

What is clear is that Mr Kuchma, known as the "chief" when he was prime minister, will bring in a style of government very different from that of Mr Kravchuk, a cunning strategist who has elevated vacillation into a political philosophy. As the erstwhile direcSoviet Union's largest missile factory, Mr Kuchma is a tough, decisive leader, impatient with politicking and accustomed to

Western diplomats predict that Mr Kuchma, whom Mr Kraychuk sought to portray as Moscow's yes-man during the campaign, will not in fact, inaugurate a radical change in Ukraine's relations with Russia, but will instead bring a more subtle shift in orienta-

His aides agree, and say that the new Ukraine will be wrought in the image of east rather than west. "Russianspeaking Ukrainians are absolutely loyal to the Ukrainian state," Mr Iuri Pestriakov, a Kuchma official said. "But they were reduced to second-class citizens by Krav-

Before he can set about forging this new, slightly different, Ukraine, Mr Kuchma must first establish himself as the leader of this entire, and disparate nation, and assert his control over the nation's government. Swept into office on a pro-Russian platform, he must prove he can be the leader of all of Ukraine. To do that, he will be com-

pelled to balance on a tightrope pulled taut by nationalist aspirations in the west of the country and pro-Russian inclinations of the eastern Ukrainians who propelled him into

"Mr Kuchma's main chal-



Mr Leonid Kuchma: tough and decisive

lenge will be to persuade the nationalist west that he will not submit to Moscow's dictates," a western diplomat

Satisfying the east should be easier. Indeed, Mr Dmytro The second domestic chal-Tabachnyk, mastermind of the Kuchma campaign, yesterday lenge Mr Kuchma faces will be

declared triumphantly that with Mr Kuchma's victory the question of Crimean separatism had been put to rest because the people of Crimea voted overwhelmingly for Ukraine's new president".

ters, a task complicated by the still unresolved constitutional debate in the country. Although many communist

voters appear to have backed Mr Kuchma, he will inevitably come into conflict with the dominant hard-line left-wing faction in parliament if he pursues the market reforms he

rhetoric on the campaign trail, Mr Kuchma will be disinclined to make the sort of compromises which Mr Kraychok employed to preserve a moribund political stability in

Ukraine. Mr Kuchma's relations with Mr Vitalii Masol, the recently appointed prime minister and a long-time Kraychuk ally, could be even more tense. Mr Masol who gamely says he has a deal to stay on as prime minister, has admitted privately that his personal relationship with the new president is distant. While campaigning, Mr Kuchma vowed to sack him.

Even as he sets his own house in order. Ukraine's new president cannot afford to neglect the world beyond his nation's borders. From the west, he has the entiring offer of \$4bn of aid if Ukraine begins long-delayed economic reforms. To the east, Mr Kuchma hopes that his warm friendship with Russia's prime minister and his more conciliatory tone will ease strained relations between the two Slav neighbours.

But he would do well to realise that neither Moscow nor Washington is likely to favour a faltering Ukraine with economic hand-outs; like his ousted predecessor, voters are likely to judge Mr Kuchma by what he achieves at home.

> Chrystia Freeland and Jill Barshay

On Wednesday, July 27 the Financial Times will publish a special survey to

FT/Bank of England 3000th Anniversary Survey

mark the 300th birthday of the Bank of England. It examines the history of the bank, its role in determining monetary policy

and its responsibility as a regulator.

There will also be an assessment of changes at the Bank under the new regime of Eddie George and Rupert Pennant-Rea and articles on similar institutions

So if you want a reliable source of information on the Old Lady of Threadneedle Street, you can bank on the FT.

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Belarus sweeps in new broom

he victory in Belarus's first presidential election of Mr Alexander Lukashenko, an anti-corruption campaigner, threatens to aggravate the republic's economic woes if the new president sticks to bis promise of fighting both corruption and

Official results published yesterday gave Mr Lukashenko 80 per cent of the vote in a run-off against Mr Vyacheslay Kebich, the conservative prime minister who had tried every trick in the book including populist economic handouts and unabashed exploitation of the state-controlled media - to secure his

But Mr Lukashenko, a poor-ly-educated former collective farm boss who more recently headed parliament's anti-corruption commission, owes his surprise victory to his well-delivered message of "finding simple solutions to complicated problems".

Victory was delivered to him on a plate by popular weari-ness with old-style Soviet-era leaders who failed to conduct any coherent market reforms in three years of independence. The failure to reform an economy dominated by obso-lete industry has meant Belatrial collapse, hyperinflation, shortages in the shops, and widespread corruption as the state has sought to maintain an increasingly ineffective grip on the economy.

Mr Lukashenko, 39, has promised to root out corruption by starting from the top. "This will end the problem at the lower level because people take their cue from the top," he has said. He has vowed to restore socialist-style controls over the economy and also frightened the country's fledgling private sector with his promise to confiscate "ill-gotten gains".

The main plank of Mr Kebich's programme to save the economy from "catastrophe" was his plan for a mon-etary union with Russia - in effect turning Belarus into a Russian province. In an attempt to boost Mr Rebich's election chances after his poor showing in the first round of voting, Mr Victor Chernomyrdin, Russia's prime minister, even travelled to Minsk to confirm Russia still endorsed the

draft union he cooked up with Mr Kebich last winter. During the election cam-paign, Mr Lukashenko, an unknown quantity in Moscow endorsed only by Mr Vladimir Zhirinovsky, the Russian ultra-nationalist, had also sup-

ported the proposed union with Russia. He even suggested that the alliance be extended to the political

On Sunday, however, he issued mixed signals on his plans for relations with Russia. "Let us stop playing up the Russian card," he said. "Russia has its own interests, Belarus has its own."

Mr Lukashenko's victory

can only reinforce Moscow's growing doubts about the benefits of a union already critic-ised within Russia as economically unprofitable for it. Mr Alexander Shokhin, the

Russian deputy prime minister responsible for the economy, took a non-committal line on the results of elections in both Belarus and Ukraine while acknowledging the problems which have dogged the proposed monetary union with

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EUROPEAN NEWS DIGEST

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Alitalia flights again disrupted

Alitalia, Italy's state-controlled airline, yesterday suffered its third major day of disruption in less than a week, as unions protested against imposition of a tough restructuring plan on the loss-making national carrier. Originally an all-out strike was called by the main unions covering flight personnel and ground staff. But Mr Public Fiori, transport minister, on Sunday invoked special powers that oblige operation of minimum services. This meant Alitalia could operate 55 per cent of planned domestic flights, 65 per cent of short-haul interna-

tional flights and 83 per cent of inter-continental flights.
On Sunday Alitalia took the unprecedented step of placing advertisements in the national press apologising to passengers under the headline: "Thousands of passengers cannot fly -why?" A letter was sent to employees in the name of Mr Renato Riverso and Mr Roberto Schisano, respectively chairman and chief executive, pointing out there was "no alternative to the restructuring and in no form can we give up this

Negotiations on the restructuring, which envisages loss of up to 4,000 of the compay's 18,000 jobs, were broken off last week by the unions in advance of their strike call. On Tuesday and Wednesday last week wildcat strikes were called by Sulta. a militant trade union, which was formed last year and was not included in the talks. Some talks are to resume tomorrow with the main unions, but at least two more stikes have been called later in the month. Robert Graham, Rome

Agreement signed on frigate

Defence ministers of France, Italy and Britain yesterday signed an agreement committing themselves to further development of the common next-generation frigate. Mr François Léotard, Mr Cesare Previti and Mr Malcolm Rifkind signed the memorandum of understanding in London. It governs design, development and production of the ship. A separate pact to begin work fleshing out the design in the next few months was

The frigate, Project Horizon, is primarily for air defence and will replace Type 42 destroyers in the Royal Navy while the French ships are intended as aircraft carrier escorts and the Italian for general duties. A total of 22 ships are planned, 12 for the UK, six for Italy and four for France, at a cost of £5bn-£5bn. Three "first of class" ships are expected in service in 2002. The prime contract is expected to be handled by a joint venture company comprising DCN International for France, Finneccanica and Fincantieri of Italy and a group headed by GEC-Marconi for Britain. Bernard Gray, London

Islamic party held in check

Turkey's secular majority appears to have clawed back electoral ground from a resurgent Islamic party on Sunday in a re-run of recent local elections. The main opposition Motherland party (Anap) seized the Moslem stronghold of Fatih in Istanbul, ahead of the Islamic Refah party (RP). Although it increased its share of the vote to 35 per cent from 28 per cent in March, the RP was pipped by Anap, which almost doubled its vote to take 42 per cent. This was the first sign that supporters of Turkey's mainstream parties may be using tactical voting to keep the Moslems out of power. The re-run at Fath and in three other areas follows allegations of irregularities in the nationwide local elections on March 27, when Mrs Tansu Ciller's True Path party won a narrow victory, on a law and order platform. John Murray Brown, Istanbul

IRA suspected in French case

French police suspect that the Irish Republican Army may have been the beneficiary of a corruption ring during the construction of the EuroDisneyland theme park at Marne La Vallee on the outskirts of Paris, according to "judicial sources" cited by Agence France-Presse, the French news agency. The report follows the conviction of Mr Joseph Mehager, 54, a site manager at EuroDisneyland on charges of involvement in a corruption ring that extorted \$20,000 from Spearhead, a company bidding for a water supply system contract at the EuroDisneyland site. Mr Mehager was sentenced last week by the Paris appeal court to eight months in prison and to pay a FFr15,000 (£1,800) fine. AFP said that the French police had been unable to identify the beneficiary of the bribe, but said that the IRA was under suspicion. Alice

Ministers on Bosnia mission

Britain and France embark today on a diplomatic mission to persuade leaders of Bosnia's warring sides to endorse the "last-chance" partition plan. Mr Douglas Hurd, UK foreign secretary, and Mr Alain Juppé, his French counterpart, will begin a two-day tour of former Yugoslavia to step up pressure to accept the plan for Bosnia's partition by the July 19 deadline. Bosnian and Croat leaders have given conditional approval to the plan, which gives 51 per cent of Bosnia to the new Moslem-Croat federation and the rest to the Bosnian Serbs, who now control 70 per cent of the land. Lord Owen, European Union mediator, and Mr Thorvald Stoltenberg, the UN emissary, met Serbian President Slobodan Milosevic and Bosnian Serb leaders in Belgrade, paving the way for today's ministerial mission. Laura Silber, Belgrade

ECONOMIC WATCH

French annual inflation at 1.8%

Annual % change to CPI

French consumer prices remained stable in June, compared with May, giving an annualised inflation rate of 1.8 per cent, according to Insee, the national statistics office. June's figures, which were released yesterday, showed the continued weak ness of inflationary pressures in France, despite the emergence of economic recovery. The weakness of price pres sures in June was partly the result of the food and manufactured goods sectors, both of which saw a slip in average prices compared with May. John Ridding, Paris

Unemployment in the European Union was steady at 17.7m people or 10.9 per cent of the workforce in May, unchanged from February, the EU's statistical office announced. In May last year the rate was 10.5 per cent. Eurostat said. Since the start of this year the rate of unemployment has risen in Belgium, Germany, France, Italy, Luxembourg and Portugal but it has fallen in Denmark, Spain, Ireland, the Netherlands and Britain, Eurostat said.

■ Greek consumer price inflation fell to 10.9 per cent year-onyear in June from 11.0 per cent in May, the National Statistics



NEWS: EUROPE

Santer favourite to head Commission

The contest to succeed Mr Jacques Delors as president of the European Commission has entered the last lap, with Mr Jacques Santer, the long-serving prime minister of Luxembourg, emerging as a clear

The deal is not yet done; but Mr Santer has gained ground after better-known candidates such as Prime Minister Rund Lubbers of the Netherlands, Prime Minister Jean-Luc Dehaene of Belgium and Prime Minister Felipe González of Spain have either been blocked or have withdrawn.

"It is a candidacy of the low-est-common denominator," said a former senior Belgian minister. This may be too harsh a judgment. Mr Santer is an experienced politician who has served as prime minister since 1985 and finance minister



since 1979. He is a free-trader, supports Union enlargement and an advocate of subsidiarity - the doctrine of devolving decision-making to the lowest says one senior diplomat, "he is middle-rank."

Yet the prospect of Mr Santer coming to Brussels is viewed with some trepidation at the Commission. Memories of the drift under Mr Gaston Thorn, the Luxembourger who preceded Mr Delors between 1981-85, remain strong. "Santer would mean a weak Commis-ston," says a senior Eurocrat.

on potential successors; but he is said to be worried that a malleable president could encourage France, Germany and the UK to "cut the Commission down to size." In Brussels yesterday, Mr Jean-Claude Juncker, the

young Luxembourg finance minister, denied that Mr Santer was a candidate. But Mr Juncker, a likely successor to Mr Santer, added that Mr Santer could be the candidate of

This was probably a refer-ence to Germany whose posi-tion is pivotal. Chancellor Helmut Kohl remains determined to strike a deal before or during a special EU summit in Brussels on Friday, so the Commission President-desig-

nate can appear before the

newly-elected European Parlia-

ment on July 19 in Strasbourg. Failure to break the deadlock would create a crisis with the European Parliament, possibly Mr Delors will not comment encouraging MEPs to draft their own candidate. It would reinforce an impression of disarray in the EU, undermining Mr Kohl's image ahead of the

October general election. So who is Mr Santer, and why should he be more acceptable to the British than Mr Dehaene, the candidate pushed by Bonn and Paris who stum-bled as a result of Mr John Major's veto at the Corfu sumsolid, practical, and sensible - not an idealogue. He also has a tough streak - resisting German pressure to scrap the Grand Duchy's tax privileges for foreign savers.

Yet Mr Santer lacks the flair of a Felipe González or the imagination of a Pierre Werner, his fellow Luxembourger who in the 1970s was the father of the project to create a European monetary union.

In Mrs Margaret Thatcher's memoirs, which run to 914 pages, Mr Santer merits just one reference - a swipe at the enthusiasm of smaller European countries to sign up unthinkingly to Franco-German plans for economic and political union. She describes the Luxembourger's rhetoric on EMU as "cloudy" and "unrealistic" but adds, tellingly: "We were correct in fit the bill.

A fellow Christian Democrat believing them to be lacking in portrays the Luxembourger as realism; where we were misrealism; where we were mistaken was in underestimating the determination of some European politicians to put

them into effect." The search for someone "reliable" on European integration is the chief calculation in the mind of the French and Ger-

mans as they seek agreement on a new candidate. The future Commission president must prepare for the Maastricht review conference in 1996; deal with the consequences of enlargement of the Union to 16 or more members: prepare the ground for EMU; and lay the ground for the next five-year EU budget in 1999.

It is a daunting agenda. But member states appear to be leaning in favour of a quieter life after 10 years of Mr Delors. A Mister or Madame X may yet appear, but Mr Santer may just

Germany urges harmonisation of EU tax system

By Emma Tucker in Brussels

Germany, keen to forge ahead with ns that would bring order to Europe's multilayered tax system, yesterday started a debate on the vexed question of taxes on savings and the introduction of a final, definitive system of VAT.

But at the first economic and finance ministers' meeting to be chaired by the Germans it became clear Commission proposals for harmonising taxes on savings withholding tax - are unlikely to make much progress under the new opposition from Luxembourg and the UK.

In spite of this, the Germans have identified the need for a common tax on savings to be deducted at source as a priority for its presidency. Because of high withholding taxes Germany, along with Belgium, is prone to heavy flights of capital.

At yesterday's meeting, Mr Theo Waigel, the German finance minister, reminded his counterparts that when

capital movements were deregulated six years ago, member states were conscious of the need to rule out distortions of competition and tax

tax systems on capital income. But Luxembourg, which does not levy taxes on savings held by residents in the country, is particularly opposed to the proposal, arguing that an EU-wide withholding tax would lead to capital flight from Europe to other OECD countries where there were no, or lower, taxes

the Luxembourg finance minister, said a withholding tax would only be acceptable if it was levied in all OECD countries, otherwise Luxembourg had only a "staunch

no" to say to the proposal. The UK too is opposed to a Brussels-inspired common withholding tax. It argues that there should be a free market in taxes. "Any European system would drive business out of Europe to New York and Tokyo. Therefore a common withholding tax at source would

Yesterday Mr Jean-Claude Juncker, be ineffective," said a UK spokesman On VAT, the battles mostly lie ahead. The commission is to present a report by the end of the year on meeting the conditions for a switch to a definitive system of VAT, in which the tax is levied in the country

> Under the current system, VAT is currently paid in the country of consumption. Germany in particular supports a rapid transition to a country-of-origin based system, which they believe would be much simpler to administer.

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IBUSINIESS SOLUTIONS

Haiti observers told to leave in 48 hours

By Canute James in Kingston and Michael LittleJohns

Haiti's military-backed government has given a team of more than 100 human rights observers, representing the United Nations and the Organisation of American States, 48 hours to leave the country. claiming they are a threat to

national security. The move created a flurry of diplomatic activity in New York yesterday, as the most senior officials of the UN and the OAS gathered to consider how to respond to it.

Mr Dante Caputo, the UN's envoy to Haiti, said that neither Mr Boutros Boutros Ghali, the secretary general, nor the head of the OAS had yet determined how to handle the situation. But the UN was not going to be pushed around.

A UN official said there were

40 UN staff and 64 representatives of the OAS, all in Port au Prince, having concentrated in the capital after withdrawing from other locations in the country. The regime had an obligation to guarantee their protection but was not doing so, the official said. The ultimatum to remove

the international mission within 48 hours was delivered without previous warning and the UN knew of no recent instance that might have pro-

It was issued by the military government, which overthrew President Jean-Bertrand Aristide almost three years ago. and is likely to further anger the US and other governments that have been pushing the regime to step down.

Haiti is under an international economic embargo, but the military has refused to leave office.

The expulsion order stated that the observer mission should leave the country "in order to avoid an incident or provocation". The government ordered the mission to stop its work a week ago, but the UN General Assembly subsequently renewed the mission's mandate on Friday.

that the expulsion was an out-rageous provocation. "The reasons are quite obvious. They kill people. They torture peo-ple. They rape people. And they don't want any witnesses in their country."

He said the expulsion would be discussed with the govern-ments of Argentina, Canada, France, the US and Venezuela the "friends of Haiti" ahead of a meeting scheduled for last night between Mr BoutrousGhall and Mr Christopher Thomas, the acting secretary general of the OAS.

• The government of the Caribbean island of Grenada has denied that it has reached an agreement with the US to provide "safe haven" to Haitians fleeing their country. The government said it had received the US request, but had not yet agreed to it. The US government said last

week that Grenada, Dominica

and Antigua had agreed to

grant temporary asylum to

Haitians until the political cri-

sis there had been resolved.

Johnson: another sethack

Parti Québécois softens stance

By Bernard Simon in Toronto

Quebec's Parti Québécois has toned down its separatist mes-sage in a clear shift of strategy ahead of forthcoming elections in the francophone province.

The PQ is currently well ahead of the ruling Liberals in public opinion polls. But party leaders appear to have heeded findings that the PQ's popular ity stems more from voters' desire for a change of government than from a dream of independence from the rest of

Mr Jacques Parizean, the PQ

leader, and other senior officials have recently played down their earlier pledge to begin negotiations on sovereignty with the federal government immediately after the

instead, they have indicated that these talks will only begin after an independence referendum, which the PQ has promised to hold within a year of taking office. Some observers predict that even this timetable may turn out to be flexible, depending on the mood of

the electorate. Mr Daniel Johnson, the provtwo weeks for September 12.

The Liberals have been in office for nine years. Since taking over as premier last January. Mr Johnson has tried to overcome the protest vote by projecting an image of solid competence and by identifying the PQ with the economic costs

of independence.

Although it is still too early to count Mr Johnson out, even some of his officials acknowledge that nothing short of a miracle can save the Liberals. One problem for the Liberals is

ince's premier, is expected to that their support is heavily call an election within the next concentrated in the Montreal

Mr Johnson received another setback last weekend when Mr Claude Castonguay, a prominent federalist and former Liberal cabinet minister, Canada's existing political sys-

"I have to realise my sustained commitment . . . to the cause of Canadian unity has brought me nothing definitive but disappointment," Mr Castonguay wrote in an open let.

Guatemalan coffee deal heralds new era

By Edward Orlebar in Guatemala City

Fifty pence may not buy a cup of coffee in London, but for Guatemalan coffee workers, an agreement to increase their daily wage by around that amount is being heralded as the start of a new era in labour relations.

The agreement, signed last week between the Guatemalan coffee association, Anacafe, and the National Unitary Council of Workers, increases the minimum daily wage from 10 quetzales (£1.14) to Q14.50 (£1.65). It also sets up

a bonus scheme for higher productiv-ity, and promises to improve living and working conditions for agricultural

It is the first time the coffee industry the preserve of Guatemala's extremely conservative economic elite - has negotiated directly with workers, and the local press has pointed to the accord as a move away from the confrontation that has fuelled over 30 vears of civil war.

"The coffee sector has been the most backward in its labour relations," said Mr Mario Solorzano, a former labour minister. "This is a message that it

Wage rises used to be negotiated through the Ministry of Labour - the last one was four years ago - but they were often ignored. Last week's agreement saw the formation of a bipartisan committee to ensure that the accord is

International labour organisations and human rights groups have frequently criticised farm owners for failing to pay the minimum wage, impos-

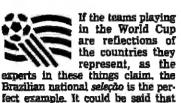
ing appalling working conditions, and suppressing union organisations, often

iolently. Workers' council leaders believe the accord may have a knock-on effect on wages and the negotiations for the rest of the agricultural sector, which employs about 60 per cent of Guatomala's labour force.

This is an historic agreement because it breaks with the culture of confrontation between workers and employees," said Rigoberto Doenes, a council official.

WORLDSGUP

Born-again Brazil find their rhythm



fect example. It could be said that we play like we govern ourselves.

As in other fields, it is not for lack of individual talent or an abundance of collective resources that we are not doing better in the World Cup, though our 3-2 win against Holland at the weekend, which put us into tomorrow's semifinals, against Sweden, has steadied

our nerves somewhat. Not that our hearts weren't in our mouths as Holland rallied from 0-2 to 2-2 in Dallas, before Branco scored with nine minutes to go. After a draw with Sweden and a brush with disaster against the US, we were confronted with the reality that has afflicted us for years. The problem is leadership.

As nowerful as our team is, and as determined as they are to reclaim their status as a world soccer power, they have lacked direction and sense of purpose. Prior to Holland at the weekend, the game plan had resembled some features of the constitution we adopted in 1988: it does not allow the team to play to their full potential.

More, our very ability gives our players an exaggerated sense of self-confidence. You could compare this to the abiding love we have demonstrated lately for democracy

to the rhythm of songs and music quite alien to US sports fans.

can team were strangely genteel

compared to other matches. By the

later matches they had begun to learn, though they still have a long

way to go to match the Brazilians.

for example, with their samba bands (which have to take turns to

Even the Saudi Arabians - where

play), or the Mexicans and Irish.

Early games involving the Ameri-

Paulo Sotero

says his team's destiny is to win a fourth title

in the face of great disarray. We believe that somehow we are going to get through. But it is a messy way of doing things. It has worked so far, but it does not assure us of ultimate triumph.

The same has been happening in the World Cup. Masters of their trade, our boys play with abandon, as if the outcome was guaranteed in advance. There is no sense of urgency. After all, we have always believed that God is Brazilian.

Then, as happened in the game against the US, our shots on goal start hitting the post. We cannot find the net with shots that are impossible to miss. What's going

on, we ask ourselves? The fear is that the Almighty, perhaps angry with our presumption, our arrogance and our carelessness, has applied for a green card (the US ticket for immigrants). And then bad luck - another feature of our recent play - sets in. With less than 20 minutes left we were still tied with the US. The

unthinkable became possible. If we had been kicked out of the Cup by the inexperienced Americans, it would have been a catastrophe worse than the defeat

by Uruguay in the 1950 final in Rio. It would have been the end of out self-esteem, the collapse of futbol in Brazil. We needed a miracle.

The feeling was strangely familiar. It resembled the lousy game we have been playing with inflation. that infamous adversary of all national teams. First, we show complacency, believing that we can live with it. Then, as inflation starts to score big against our wallets, the possibility of a disaster becomes apparent. Put against the wall, we

To dribble inflation, we use an elaborate play known as changing the currency. We are good at that. It is true that so far the magic has worked only temporarily. But it does put the adversary on the defensive for a while. The problem is that we have not explored the opportuni-

But things may be changing. Recently, after the worrisome draw with Sweden and an alarming defeat in the monthly tournament against inflation (we lost 50 per cent. to nothing), we reacted with the "real," our new currency.

The name has less to do with "reality" than with "royal," (strange in a country that actually bothered only a couple of years back to vote in a pleblecite to reject

a monarchy).

We Brazilians are tired of playing the same game against inflation. But the scenario is more favourable this time and the experts are opti-



Brazilian striker Bebeto (centre) celebrates scoring against Holland, flanked by Mazinbo and Romario

Things may be ready to change on the soccer field, too. After the liberal idea. It is as Brazilian as the scary game against the US, the people cried for change and the players themselves moved to take charge, organise themselves and liberate the team from the straitjacket

imposed by coach Carlos Alberto. What we may be seeing, starting with the game against Holland, is a strategy that could make Brazil great again: a free market approach to futbol, with more reliance on personal initiative and individual talent and less interference from a coaching bench that has been acting like a bunch of bureaucrats,

This is not an imported neo-Sugar Loaf and has always worked for us. Vicente Feola, who led us to our first World Cup in 1958, was a laissez faire coach.

Legend has it that he used to take a nap during practice. The only instruction his players ever remember receiving from him was: "Boys, go in there and score."

We switched coaches in 1962, but not philosophy - and won again. In 1970, with the game already under the threat of bureaucratisation, it took a rebellion by Pelé and company against coach Mario Zagalo to assure the glory of

the tricampeonato in Mexico. Indications are that it will work again this time.

Recent setbacks have made us more realistic and demanding, But, as you may have noticed, we are a happy, optimistic and confident lot. And, contrary to current belief, when the going gets tough Brazil is still the only Latin American country that can really play with the big guys from Europe - even if the "big guys" are now represented only by

See you in LA on July 17. Paulo Sotero is Washington correspondent for O Estado de São

much abuse when it looked as if the flight from Dallas to Orlando last

I ran into them again in Dallas

last Friday night, watching the Bra-

zilians samba from a slight dis-

"They'd've been smashing the

week was over-booked?

tomorrow?" I asked.

End of an era for German veterans

It took only a few minutes after their 2-1 loss to Bulgaria in the World Cup quarter-finals on Sunday for the German team to

start breaking up. Heads low, the Germans left the field to hear goalkeeper Bodo lligner announce his retirement. Iligner, 27, was first to go, though his decision was not prompted by age.

Several veterans are sure to leave, and captain Lothar Metthans, 33, could be among them; although he said he had no

immediate plans to quit. The future of coach Berti Vogts also looks uncertain. Defeat marked Germany's carliest exit since 1978, when they were stopped in the second round, also as defending cham-

"Tough times are coming up for the coach, but I want to sta around as long as I'm having fun and I am still having fun," said Vogts, 47, who took over from Franz Beckenbauer after

Germany's 1990 triumph. Veteran defender Guido Buchwald, 33, is moving to Japan in the twilight of his career, and striker Rudi Völler, 34, and defender Andreas Brehme, 33.

will not return. Vogts, counting on experience picked 12 men from the 1990 squad. But many were over the

"I hope that many players will continue because we need an experienced basis." Vogts said. But new players also have to come in and new ways have to now and concentrate on the 1996 European championships. Qualifying rounds start this autumn - and Germany will

play Bulgaria.

Italy vs Bulgaria New Jersey 9pm BST

Brazil vs Swede

What would it have been like if England had been playing here

Los Angeles, 12.30am Thurs

Final Sunday, July 17

Los Angeles 8.30pm

No fences for the world's party animals or fans visiting the US, the World Cup has been one long party, and they have joined in Fans have mellowed the forces of law and order, writes Peter Berlin

did all those Saudi fans come from? They came prepared. They arrived with drums and mizmors brought their flags and their face-paint, their hats, shirts, drums and (traditional horns), and sang their own version of the unofficial World horns. Every match has been played Cup anthem: Olé; Olé, Olé, Olé; Olé,

> Every match has been a sea of colour: bobbing blocks of yellow or green for the South American tour groups, all in matching caps; lumps of orange where the Dutch sat; and everywhere the tricolour green, white and red or orange of Bulgaria, Italy, ireland and Mexico.

The friendly atmosphere has surprised the police. They were ready for hooligans. The weeks before the

big start were filled with dickering between Fifa, soccer's governing body, and local police over tempo-rary fencing around pitches. The police wanted it. Fifa said pens were for animals.

Every ground has been full of police and guards. At Orlando an armed policeman stood by each staircase. The cop who stood just below the press box, crew-cut and black-garbed was a master of menace. During the Mexico-Ireland match be kept his back to play, staring unamilingly through huge mirrored sun-glasses, daring some unwise fan to make his day.

By the the time the Irish returned to play Holland in the second round, however, he was going with the flow. Now he smiled. He batted a beach ball back and forth with

fans and allowed them to pose for pictures in his OPD baseball cap. Expectations on both sides have been confounded. So far as I know, no visiting fan has been car-jacked while no law-and-order official has had his (or her) eyeballs sucked out by a defeat-crazed fan.

Yesterday, the authorities said they had more trouble from American football and basketball crowds than they have had from the World

crowds of 3m-plus. Fifa said there had been about 400 World Cup-related arrests in the

nine host cities, mainly for blackmarket ticket sales. Fifa secretarygeneral Sepp Blatter said that the fans' behaviour – sometimes in heat of 100°F-plus - had been "grand." There are plenty of English supporters here, though many are not

It is difficult to know how England fans would have behaved if their team had qualified. Why did it have to be two English fans giving the harassed gate attendant so

place up," came the confident reply. But they were not very observant. The place was crawling with police. Just round the corner I saw four cops, looking faintly ridiculous in summer shorts. They, too, were smiling. But they carried guns and long night-sticks. Party on Ricardo! Party on Krassimir!

The technology services behind WorldCorUSA95 For further information call Bill Wright on (44) 81 754 4318

> This World Cup has seen a level of skill and talent never seen before. The football hasn't been bad either.

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hirps

End of an

Veterans

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11.000

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The competitiveness challenge is here to stay. We are making progress, but are in for a lengthy struggle," said

1994, combines a macro-economic 1994, combines a macro-economic • In the council's survey, 91 per cent study with an opinion poll of the of respondents ranked the threat to council's members and affiliates. It highlights several deep-seated struc-tural problems that need tackling.

and equipment surged by 11.8 per cent last year, investment as a propor-tion of GDP has been the lowest of Growth in US long-term industrial research and development has been running at less than half the rate for

Damian Fraser on restructuring companies to compete

tant with Arthur D Little, says

many foreign companies in

Mexico have been able to reach

international levels of produc-

tivity because of superior man-

agement, "Foreign companies

have learnt something most

Mexicans have not learnt - the

tremendous value in the Mexi-

can worker," he said. "The

Mexican workforce is a gate-

way to lean manufacturing, if

a few miles outside Aguascal-ientes, Nissan would seem to demonstrate this. The \$1bn

plant has productivity levels

close to those of plants in

Japan and the US, according to

Mr Futikubo, And since Mexi-

can wages are far lower than

those in the US or Japan, Nis-

san Mexico is more competitive

on a cost basis than other

Nissan attributes the high

productivity to world-class

technology in the plant and the

heavy investment in training its work force, teaching it the importance of team-work, disci-

pline and product quality. The plant is less hierarchical than

most Mexican companies, with

managers working on or next to the plant floor, and taking

hunch with their staff, keeping

costs down, and improving cor-

Set in a sprawling 200ha site

treated right."

The manager of city. "But this is all changing the Nissan There is not a company in assembly plant Monterrey which is not trying

to slash layers of management, be more responsive to the cus-

tomer, and improve productiv-

ity."
This corporate restructuring.

under way since the late 1980s.

has led to average increases in

manufacturing productivity of

about 5 per cent a year. According to a McKinsey Global Institute study, produc-

cations increased by 24.1 per

cent between 1985 and 1993, in

steel mills by 42.3 per cent over

the same period, and in the food industry by 12.5 per cent

companies closing down unprofitable lines and firing

unnecessary workers. This has

contributed to higher unem-

ployment and, over the past year and a half, a sharp con-

traction in the manufacturing

The McKinsey study indi-

cates that absolute productiv-

ity levels in banking, steel and

food are still between 30 and 40

per cent of levels in the US.

suggesting still more restruct-

uring is necessary. The report

concludes that Mexican compa-

nies can close most of the gap

by improving management of their companies, adopting less

in the five years to 1992.

tivity in Mexican teleco

competitiveness posed by weaknesses in the primary education system (from kindergarten up to 12 years of age) as their top concern. The US net national savings rate

has been the lowest of all G7 nations ping last year to L8 per cent of GDP, little more than one tenth of Japan's

However, the report notes several positive developments. Last year the US saw the biggest rise in the standard of living of any G7 nation, at 1.9

US manufacturing productivity rose

4.2 per cent last year, the biggest annual increase since 1987. Two thirds of respondents said that US overall competitiveness was good

and getting better. They pointed to undergraduate and graduate education, management, quality and technology as particular US strengths. The Clinton administration received relatively high marks for its technology and trade policies, but was urged to increase incentives for savings and

investment and strengthen worker The biggest competitive challenge was seen as coming from Japan, fol-

was ranked fourth. Stiff competition was foreseen, particularly in electronic components and equipment, machine tools and robotics, and cars.

"Although American companies have cut a lot of fat, many have not vet built the innovative capacity that will be necessary to compete in the future," said Mr Michael Porter, professor of business administration at Harvard Business School and project adviser for the Competitiveness Index. "Private sector investment in people and in productive assets is still

much too low."

Competitiveness Index 1994; \$11.50 from Council on Competitiveness, 900 17th Street NW, Strite 1050, Washing-

Retail banking labour productivity 1992

|Cuba's Caracas exchange | Nafta remains fears paralysed calmed

Most foreign exchange operations remained paralysed in Venezuela yesterday as the banking system began implementing a complicated exchange control system, backed by stiff penalties. The system was finally approved by the government at the week-

Representatives of the country's main commercial banks met exchange control officials late on Sunday to discuss the details of the new system, but said it would take time to train employees and implement the controls effectively.

Venezuelans have been unable to carry out exchange operations since the last day of foreign exchange trading or June 23. President Rafael Caldera announced the government's decision to impose controls on all foreign exchange transactions on June 27.

Some bankers fear it may take another 10 days for many companies to obtain foreign currency. The Calders administration is drawing up a law carrying stiff penalties, includ-ing jail sentences, for violations of the foreign exchange rules, and this has made the banks extremely careful in implementing the rules.

There is no system yet in place that would guarantee customers did not abuse the foreign exchange regulations, for example by applying for the maximum limit at several different banks.

Commercial banks were yesterday not buying or selling foreign exchange, and only one large exchange house said it would sell dollars to clients if they met the new official requirements. Most foreign businessmen and tourists are being forced to change small amounts of foreign currency at hotels, or on the street.

Under the new system, commercial banks will sell foreign exchange to eligible clients at 170 Venezuelan bolivars per US dollar, plus a commission. The

Canada and Mexico will maintain their economic links with Cuba, despite the US embargo of the island, according to Mr Jorge Bolanos,

Cuba's deputy foreign minis-

Cuba had feared that the US might object to the recent nomic relations between its two partners in the North American Free Trade Agreement, and Cuba. However, Cuba had been told that trade with Canada and Mexico would continue, and that both countries would support an end to the embargo, said Mr

"This is the assurance we sought and which we have finally received. Both Canada and Mexico have argued publicly against the continuation of the economic embargo," he

"There is now no chance that either the Canadian or Mexican governments will the US has to say about com-mercial links with Cuba."

In diplomatic discussions with Canada and Mexico, Cuba was told that it had no reason to be concerned for the effects on Cuban trade and economic relations.

However, Cuban officials continued to hint at the possibility of "subtle pressure" by the US on the other Nafta members to reduce economic links with Cuba or to eliminate them altogether. "Cuba has now been comforted by both the Canadian and Mexican governments through visits to the island and statements by officials of both

President Carlos Salinas of Mexico had recently indicated his government's desire to enhance trade with Cuba, and there had been similar assurances on her visit to Havana from Ms Christine Stewart, last trades on June 23 were at canada's parliamentary secre-around 200 bolivars per dollar. tary for foreign affairs.

executive of Xerox and chairman of • The merchandise trade deficit result of the recession still affecting Asian countries and China. Germany

The US has not solved the structural problems that have impaired its competitiveness, despite its recent economic turnaround, a report by the Council on Competitiveness warned vesterday.

The council, a panel of leaders in business, labour and higher education, warns that although many highprofile US sectors, such as the car and semiconductor industries, have semiconductor industries, have any of the Group of Seven leading regained market leadership, it is not industrialised nations for six of the clear that the US has created the productive assets for future growth.

Mr Paul Allaire, chairman and chief the UK showing a lower rate.

in Aguascal-

ientes, Mexico,

which is the

only Nissan

may have caused offence. Now they can be heard throughout Mexico. To examine the companies of the companies

Mexico's leading industrial hierarchical and less central-

sector.

plant to export

THE NEW cars to Japan,

CROER says be has lit-tle interest in

ORDER tle interest in learning how Mexicans run

their companies. "Here we do

not care about the Mexican

way of doing things. Anyone who works here has to think

only about international stan-

dards and quality. Otherwise

there is no way we can com-pete," says Mr Yoshitake Fuji-kubo.

Mexico. To survive in the

world of free trade with the US

and Canada, and low-cost

imports from Asia, Mexican

managers are having to adapt

to the practices of their inter-

national rivals, and abandon

many of their traditional ways

"In the past, when you did

not have to worry about price

competition and open borders,

it did not matter so much how

you ran your company," says Mr Ramon de la Peña of the

Monterrey Institute of Technol-

ogy and Advanced Studies, the

management school based in

of doing business.

Although US investment in plant

past seven years, the report says. most other G7 countries, with only

The report, Competitiveness Index imports outstripped export growth.

for most of the past two decades, dipsavings rate.

Mexico's open door lets in winds of change

Latin American productivity

ised organisational structures, and cutting bureaucracy and Mexican companies are unnecessary tasks.
Mr Roberto Batres, a consuladopting similar practices. Mr Ulrich Sander, head of corporate communication at Vitro, the glass producer and one of Mexico's largest industrial con-

> compete better against international rivals. He says Vitro is reducing its workforce by 20 per cent to 30,000, with a heavy proportion of non-union workers losing their jobs, such as accountants

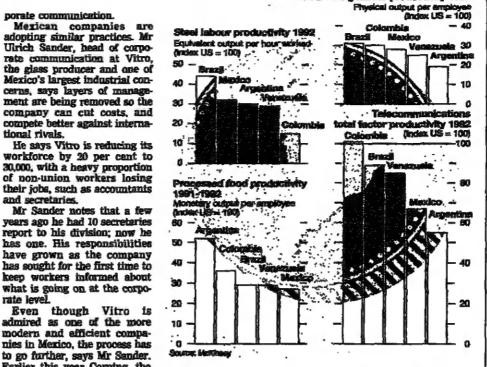
cerns, says layers of manage-

company can cut costs, and

and secretaries. Mr Sander notes that a few years ago he had 10 secretaries report to his division; now he has one. His responsibilities have grown as the company has sought for the first time to keep workers informed about what is going on at the corporate level.

Even though Vitro is admired as one of the more modern and efficient companies in Mexico, the process has to go further, says Mr Sander. Earlier this year Corning, the US glass company, broke its joint venture with Vitro, subsequently saying that Vitro's management took decisions too slowly, was too hierarchical and insufficiently aggressive for the American company, criticisms partly accepted by Mr Sander.

Vitro "is caught between the

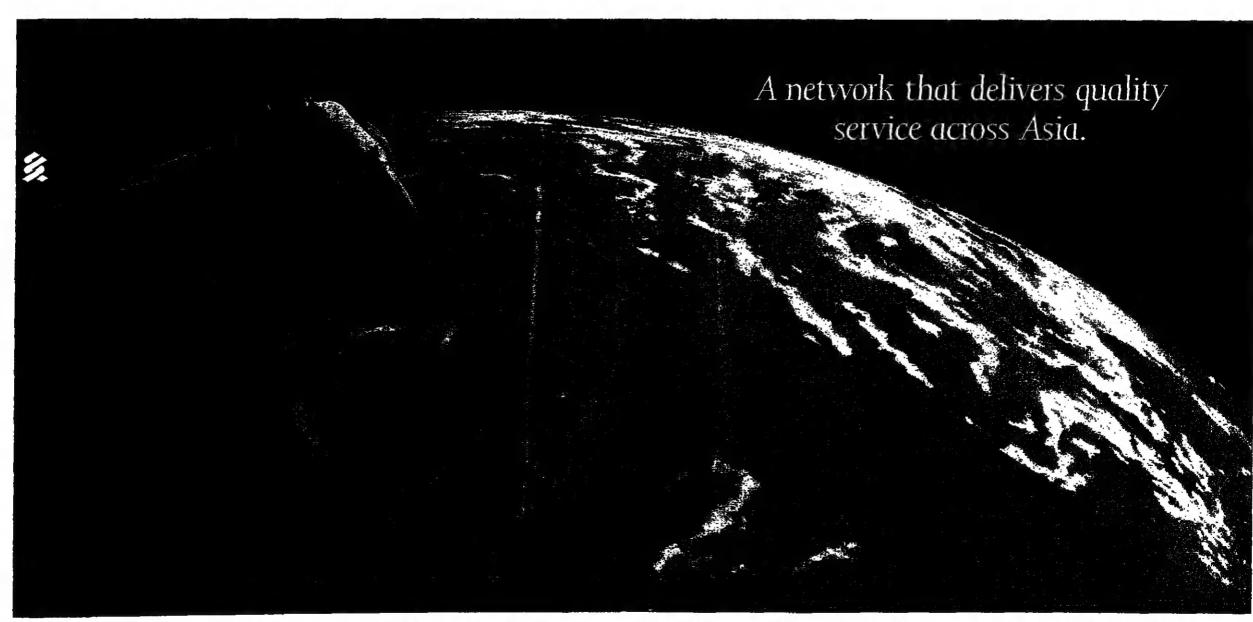


demands of Mexico's emerging free-market economy and a corporate culture steeped in tradition," said Mr Ernesto Martens, Vitro's chief executive, in an interview with Harvard Business Review. Mr Martens said that Vitro had to walk a "tightrope" between

losing its identity as a Mexican

company with a unique culture, and being battered in the world market place for not changing fast enough.

This article is the fourth in a series on the recovery in Latin America. Previous articles appeared on June 24, 30 and July 5



For two years in succession, Standard Chartered has been voted Best Bank in Asia in the Euromoney Awards.

This double achievement reflects not only the quality of service we deliver, but also the extent of our network in the region - more than 250

offices in 18 countries, many established for over 100 years.

In established areas of strength, such as treasury, trade finance and corporate and investment banking, we continue to develop new capabilities and pioneer new opportunities.

For example, in China, where our involvement goes back over 135 years, we now have more offices than any other foreign bank. As a result, we are ideally placed to make financial connections between China, the rest of

Asia and indeed the world — in areas from trade finance, to correspondent banking, to the mising of new equity investment.

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INTERNATIONAL NETWORKING

down to eight months. It even- automated manufacturing

By Nancy Dunne in Washington

The US aerospace industry is seeking to insert into the Uruguay Round implementing legislation, now being written in Congress, language which would head off European Union efforts to curb indirect aircraft subsidies.

The industry has also expressed concern that a pro-posed 600-seat Airbus airliner

The two leading commer-

cial aircraft manufactur-

ers, Boeing of the US

and its European rival Airbus,

are dreaming of out-jumboing

each other by building the

world's biggest airliner with

seating for 800 or more passen-

However, the real commer-

clai battle between the two is

to build their current aircraft

more quickly and more cost-ef-

fectively in response to struc-tural changes in the airline

market, provoked by the big-

gest slump in the history of the

Although air traffic is recov-

ering after four years in which

airlines lost more than \$15bn

(£9.8bn) on international sched-

uled services alone, this is

unlikely to lead to a rapid rise

in returns generated by pas-

enger numbers.
"It is becoming more and

more evident that revenue,

rather than traffic, is the key

to airline profitability," says Mr Adam Brown, the head of

strategic planning at Airbus.

"In many markets, air travel-

lers have now become accus-

By Victor Mallet in Bangkok

Vietnam has approved a \$41m (£26.9m)

joint venture by Swire Pacific of Hong

Kong, Crown Cork and Seal of the US

and two Vietnamese state companies to

make aluminium beverage cans in the

north of the country, Swire Pacific said

Crown Vinalimes Packaging (CVP),

the joint venture, aims to produce more

than 400m cans a year for Vietnam's expanding soft drink and beer markets.

In southern Vietnam, CarnaudMetal-

box and Saigon Brewery recently began

airline industry.

rival," he added.

limits in a US-EU bilateral

The Aerospace Industries Association has told Mr Mickey Kantor, President Clinton's trade representative, that if the limits are exceeded, the US should reinstate its complaint against Airbus in the General Agreement on Tariffs

Such a move would be regarded as highly provocative in Brussels, which is increas-

Commercial jet aircraft orders

% of total \$ value

Lockhe

support which would breach ingly angered by US refusals to ised not to negotiate new disci-limits in a US-EU bilateral negotiate curbs on indirect plines which would be "unacsupport in the Gatt.

The EU claims that the US industry benefits substantially from such assistance, in the form of research and development contracts granted by the Pentagon. The EU is also unhappy about aid to the industry by the US National Aeronautics and Space Associ-

Mr Mickey Kantor, the US trade representative, has prom-

Boeing, Airbus in costs dogfight

Paul Betts on the battle to make aircraft more quickly and more cheaply

ceptable" to the US industry. but the AIA still hopes to get the policy enshrined into

In a proposed draft of language for the Uruguay Round implementing legislation, the AIA calls for "rejection of any new disciplines on indirect supports for civil aircraft which are different or apart from those that would apply to tion would be limits agreed in the 1992 US-EU agreement "solely with respect to large civil aircraft.

The US and EU agreed to "multilateralise" the agreement but talks last week made little progress, and the negotiators will not meet again until

The bilateral pact has some limits on indirect supports and limits direct supports to Airbus to 33 per cent of programme

techniques; and new organisa-

tional structures to improve

internal working relations and

practices. Some 60,000 employ-

ees have already attended dur-

ing the past three years special

courses which Boeing calls

"World-Class Competitive-

The response at Airbus has

been to cut up to 5,000 jobs

between 1992 and 1995; maxim-

ise the use of investments in

automation and computer

aided manufacturing; and sim-

plify and streamline the con-

sortium's complicated manu-

facturing and assembly

ments in Airbus productivity.

BAe, for example, now takes 85

days to build a wing for an Airbus airliner instead of dou-

ble the time IS months ago. Deutsche Aerospace is phasing

out a number of plants and regrouping its Airbus work on

fewer and more efficient sites.

remains daunting. The challenge for the European group

is to transform what was at

first conceived of as a job and

wealth creation consortium to

compete against the domi-

nance of the US aerospace

industry into an independent

company, mature enough to

rationalise and restructure and

stand on its two corporate feet.

itself, but the process is a slow

and difficult one. Unless it

accelerates the tempo, it will

It has started transforming

But the task for Airbus

This has led to improve-

sets up assembly offshoot in Mexico

BMW said yesterday it had established its own subsidiary to prepare for the assembly of cars in Mexico, starting next year. The German executive carmaker said that the new company, BMW de Mexico. was also to take over from its Mexican importer responsibility for developing and support-ing BMW's dealer network in the country

BMW said cars were to be assembled from next year at a rented plant at Toluca, 60km west of Mexico City. Only "several hundred"

3 -Series will be produced next year. However, the Mexican market is already the second largest in Latin America after Brazil and, following its inclusion in the North American Free Trade Agreement, is regarded by BMW as offering

rapid growth potential.

A purchasing office is also to be set up by BMW de Mexico to create a network of local component suppliers. The volume of cars BMW will be allowed to produce in Mexico is geared to the percentage of domestically-produced components it can build into the

The new subsidiary will take over the dealership and distribution functions of its Mexican importer, Grupo Bavaria. However BMW de Mexico is also to establish a separate operating subsidiary to run the assembly facilities, in which Grupe Bavaria is to

have a minority stake.

OECD Export Credit Rates

ecinomices new minimum inter-est rates (%) for officially-sup-ported expert credits for July 15 to August 14 1994 (June 15 1963-July 14 1994 in brackets).

up to 5 years 7.90 (7.70) 8.35 (8.35) 9.92 (8.96) 4.20 (4.20) 5 to 6.5 years more than 6.5 years Italian itra 10.62 (10.11)

US dollar for credits over 8.5 years

tace miles are published monthly by the France Times, normally in the middle of the month. A promium of 0.2 per cont is to be added to the credit rates when fluing at bid. Imprest rates large on January 15 1995.

Plan to phase in electronic bills of lading

By Charles Batchelor,

Steetronic bills of lading could begin to replace the paper doc-uments currently in use from next year if a project funded by the European Union proves

The main problems involved in moving to an electronic bill. a document which itemises a cargo and details its destination and route, have been solved, Mr John Reeve, senior partner at Touche Ross Management Consultants, said yes-

A 15-month Ecu3.7m (£2.9m) pilot project financed jointly by the European Union and the private sector will spend the next year testing the Bolero project with a group of up to 30 private sector users.

If the system proves itself, it could free the log-jam currently blocking the widespread use of electronic transfer in the field of shipping documents. Since bills of lading are negotiable - they confer ownership on the person holding the doc-ument - the problems of security have proved particularly

Electronic bills of lading should provide a faster, more secure means of communicating cargo information than a naper document which can be lost, stolen or forged. They could also reduce errors which frequently delay acceptance of

shipping documents.

But if shippers, shipowners and others involved in seaborne cargoes can be convinced, then electronic data

interchange could be used more widely for insurance certificates, customs documents, letters of credit and other banking documents. The main difficulties involved ensuring that a bill of lading in electronic form was genuine and developing the computer tech-nology which could be used easily by shipping clerks.
The security issue has been

circumvented by Cable & Wireless, the telecommunications group and a partner in the project, which will act as trusted third party" to guarantee that an electronic bill is genuine. Previous attempts to launch electronic bills found. ered because potential participants did not regard the guarantor, in one case a bank, as an independent party.

Subscribers to the the Bolem system would require a personal computer terminal, applications software and a care giving providing secure access. The initial investment should amount to a few thousand pounds, which should mean that it is affordable even by small shippers. Mr Reeve said Members of the development

consortium include Cryptomathic, a Danish security consultancy; Denton Hall, a UK law firm; Istev, an Italian information technology institute; and Unisource, a Dutch business telecommunications com-

The user group which is testing the system includes BAT, the tobacco and financial services group; Nedlloyd Lines. Maersk Line, Chase Manhattan Bank and United Distillers.

EU increases quota of toys from China

By Guy de Jonquières,

The European Commission has proposed a 24 per cent increase in the value of the EU quota on toy imports from China this year, in an effort to ease disruptions to trade caused by the abrupt imposition of the curbs in February.

The Commission proposal, to be announced tomorrow, must be approved by the Council of Ministers. It would raise the value of the quota by Ecu150m (£115.5m) to Ecu780m. The increase would be retroactive to March 15, when the quota took effect, and would run to the end of the year.

The quota, which covers items including teddy bears, was imposed as part of a package deal under which EU members agreed to scrap about 6,500 national import restrictions inconsistent with the sin-

gie European market. The quota was designed chiefly to mollify Spain, where toy makers are worried about low-cost competition from China. Toy Manufacturers of

Europe, the main industry group, has said 500 jobs would be lost in Europe, and its members' sales and profits would suffer. Though the proposed relaxation is likely to be welcomed by the industry, it does not fully compensate for the 50 per cent drop in imports' value expected this year before the quotas were imposed

Last February's decision is being challenged in the European Court of Justice by the UK Department of Trade and Industry, which sought unsuccessfully to block it in the Council of Ministers.

Last week, China attacked the quota on toys, silk and

80 · MDC Other

"It is no longer so much what you build but how you build it that will make the difference," said a senior Airbus executive. "Aircraft manufacfly. So the airlines now have turing is now shifting from a no choice but to find a way to purely product-, research- and provide a service at this fare level rather than as in the past development-driven business seeking to maximise the fare to one where the manufacturcharged for providing the sering process will give a manufacturer the edge over its vice," he says.

With pressure on yields continuing, airlines will have to rely increasingly for their profits on cost reductions and operational efficiencies. In turn, they will seek aircraft that cost less to buy and less to run.

"We are all having to adapt to this new environment," says Mr Claude Terrazzoni, head of the commercial aircraft division of Aérospatiale, the French partner in the four-na-tion Airbus consortium, which includes Deutsche Aerospace, British Aerospace and Casa of Spain. "Boeing is now cutting tomed to paying a particular its production costs by 25 per fare level; and if fares are cent either they want to kill

increased, they simply don't us because they think Airbus can't match such cuts, or they are adapting to the structural change in the airline industry with low fares, or they are try-ing to do both," he adds.

Boeing recently reaffirmed its commitment to drive down costs and manufacturing time "to make sure we remain the world's most competitive manufacturer of commercial jets" Mr Ron Woodard, the head of Boeing's commercial aircraft operations, said in the company's staff magazine: "We decided to prepare for the future today, while we're number one because number two is

unthinkable" The Seattle-based company has already reduced the orderto-delivery time of its widebody aircraft, such as the 747 and the 767, from 18 months a few years ago to around 10.5

Vietnam approves cannery joint venture

including the 737 and the 757, to nine months and is planning to make it six months by 1996. Airbus says it is confident it can meet the productivity chal-

last month.

lenge set by Boeing. Although the European consortium's complex four-nation structure is a handicap, Mr Jean Pierson, the Airbus chief executive, has set similar targets for Airbus aircraft production.

tually hopes to achieve the

same target for the new 777

which flew for the first time

the production cycle time for

Boeing has already reduced

narrow-body aircraft,

"For narrow-body aircraft we are also aiming at an order-todelivery target of six months in 1996. Today it is 12 months, next year it will go down to nine," he said. For wide-body aircraft such as the A330, A340, A300 and A310, Airbus has already reduced production cycle times from 15 months to 12.5 months and plans to go down to nine months by 1996.

Mr Woodard of Boeing said the reduction in manufacturing cycle times was already producing big payoffs for the US company, "One payoff is in the area of inventory. By the end of 1993, as a result of our cycle time reduction efforts, we had reduced our inventory by more than \$1bn compared to business as usual," he said.

Boeing's cost-cutting drive has included extensive workforce cuts involving 28,000 people in 1993 and 1994; the applimonths and wants to bring it cation of new commuter and

embargo against Vietnam in February.

has welcomed foreign investors since it

embarked on economic reforms in the

late 1980s. Investors are keen to tap into

this poor but fast-growing economy of

ruption and rivalry between central and

local authorities have delayed some

Last week it emerged that the State

projects and restricted profits.

people, although bureaucracy, cor-

Vietnam's communist government

work on a \$54m aluminium can factory second largest foreign investor in Viet- Committee for Co-operation and Investwith a capacity of some 460m cans a nam after Taiwan. US companies were ment, the body that licenses foreign year near Ho Chi Minh City.

unable to commit funds until President projects, had blocked plans for a CocaConstruction of CVP's factory in Ha

Bill Clinton lifted the US economic Cola bottling plant in Ho Chi Minh City Cola bottling plant in Ho Chi Minh City on the grounds that soft drink supplies in the south were already sufficient

A joint venture between PensiCo PeP.N. a Singapore company and a Vietnamese state company plans to apply for licences to build two bottling plants in Hanoi and Danang, Reuter adds from Singapore, The joint venture has been operating a 600 bottle per min-ute plant in Ho Chi Minh City for 18

THE LEADERSHIP TRUST GUIDE TO MANAGEMENT 2. The Mushroom Manager.

Tay province near the capital Hanoi is

to start in October and should be fin-

ished within 18 months. CVP will be 33

per cent owned by Swire Pacific, 34 per

cent by Crown Cork and Seal, 20 per

cent by Vinalimex and 13 per cent by

Swire Pacific, which controls Cathay

Pacific Airways, said the factory was its

first substantial non-aviation invest-

ment in Vietnam. Hong Kong is the

Ha Tay Foodstuff Complex Factory.

WO TWELFTH century brickingers Awere working away when a passer-by asked them what they were doing.

"Laying bricks, squire," growled the

"Sir, I am building a Cathedral," proudly proclaimed the second.

The first brickie was working for a Mushroom Manager, the second for a manager who might well have been on a Leadership Tinst course.

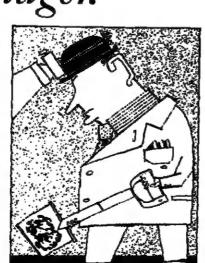
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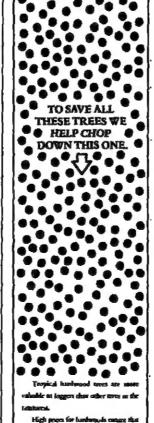
ment from other industries. Thus, as 66He keeps people in the dark and every so often covers them in manure.39

of other people far easier

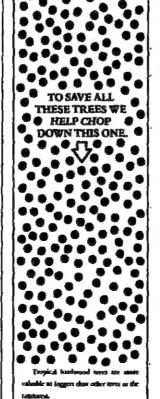
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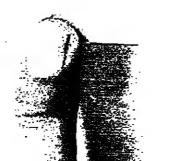
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HARLING WALLEY

London costs for foreign banks rise

By Alison Smith

The costs of setting up and running an international bank branch in London have been rising over the last couple of years after a dip in 1992, to reach record levels in many

The findings come in an analysis by Noel Alexander Associates, a consultancy which specialises in financial statistics. It looked at four separate cases – setting up a just a London representative office, or establishing a branch in any one of three sizes.

The number of foreign banks in London has been rising in recent years, and is currently over 500.

The study showed, for example, that both the opening and annual costs of setting up a small branch at £2.14m and £984,000 respectively, were above the previous records of £1.86m (in April 1993), and £963,900 (in February 1990).

The annual cost of running a medium-sized branch was estimated at £2.24m, compared with £2.12m in April last year, while the opening cost for such a branch was £3.28m—ahove last year but slightly down on the highest figure of £3.30m in February 1990.

28.30m in February 1930.

The study also highlighted the notably higher costs of setting up a representative office using an expatriate rather than a UK resident. The start-up cost of such an office with an expatriate is estimated at 2822,550, while with a local representative it falls to 2273,590. Annual running costs are also cheaper for the local option – £235,370 against

A marked change in comparison with some previous years is that property costs make up a small proportion – around one-tenth – of the calculations. This is partly because, the consultancy says, the London property market is such that it is possible to negotiate a deal offering two or three years presumetion restrictes.

Predictably, staff costs are the largest single element in the budgets, ranging up to three-quarters of the totals. UK moves to close social security 'loophole'

Payments stopped to 'benefit tourists'

By John Willman and David Marsh

The government yesterday announced that it was stopping the payment of three social security benefits to citizens of the European Economic Area on temporary visits to the UK. From August 1, people from the EEA (the EU plus the Effa

on temporary visits to the UK.

From August 1, people from
the EEA (the EU plus the Effa
countries) will have to prove
that they are habitually resident in the UK to claim income
support, housing benefit or
council tax benefit.

These means-tested benefits are paid to people on low incomes as a form of "safety net".

Mr Peter Lilley, social secu-

rity secretary, said that the measures would hring an end to "benefits tourism", the use of the social security system to finance stays in Britain.
"In recent summers we have seen a growing number of

advantage of the accessibility of our benefit system to spend a few months in Britain at the taxpayer's expense," Mr Lilley

European nationals taking

aid.
Entitlement to these benefits

was stopped for most people from outside the ERA at the beginning of April. A series of court hearings involving foreigners who had abused the benefits system enraged Tory MPs and led Mr Lilley to promise action at last year's Conservative party conference.

Mr Lilley admitted yesterday that he did not know how many people from the EEA were involved in benefit tourism. "It is probably quite small, a few thousands at the start. But if we were not to close this loophole it would grow."

There will be no restrictions on freedom of movement, he said. People from the EEA would still be welcome to seek work in Britain and would be paid contributory benefits such as unemployment benefit if they already received it in their own country.

Mr Lilley said that the measure would close a loophole the existence of which amazed other European countries. He added: "Most other European countries do not permit this kind of behaviour and nei-

However, the German Family Ministry in Bonn – responsible for sustenance payouts under the country's social security system – pointed out that Germany, too, was sometimes the target of foreigners seeking to profit from generous social payouts,

Needy people – both Ger-

claim living allowance benefits of DM1,100 a month. The system is available to homeless people and thus not limited to those with residence permits.

Non-Germans qualify only if they convince local social security offices that they did not travel to Germany specifically to claim allowances, a ministry

mans and non-Germans - can

spokeswoman said.

Mr Donald Dewar, Labour's social security spokesman, said it was right to root out abuse of the benefit system, but he had serious reservations about the government's approach.

"Any reform must be based upon proper research and effectively target those responsible for abuse," he said. "The government must demonstrate that the new regulations are fair and workable."

Power executives make big paper profits on options

ther should we."

By David Lascelles, Resources Editor

The managing director of Midlands Electricity who resigned in a top level management shake-up last year, left with a pay-off and other benefits worth over £1.2m, accord-

ing to the company's accounts.

The publication of electricity industry annual reports also disclosed that electricity company directors have made several million pounds of paper profits on executive share option schemes set up at the time of privatisation.

Mr Richard Young, who left Midlands in 1993, was paid \$398,000 in compensation for loss of office plus £282,000 in

pension contributions. He also held options to buy 145,000 shares at a paper profit of at least £4 each.

Mr Young was on a multiyear contract, and was entitled to special pension payments under the electricity industry pension scheme. He received the share options along with other Midlands executives under the company scheme.

under the company scheme.

All the privatised electricity companies set up option schemes in January 1991 to provide incentives for senior executives. For tax reasons these could not be exercised until the beginning of this year. But since then, dozens of executives have taken advantage of the boom in electricity

shares to cash in the options, which give the holder the right to buy shares at prices well below those in the market. Apart from Mr Young, five

Apart from Mr Young, five Midlands Electricity directors bought nearly 600,000 of shares at 258p at a time when the company's shares were trading between 634p and 732p. Directors at the East Mid-

Directors at the East Midlands Electricity took 770,000 options at prices which will have yielded them a paper profit of at least £2m. Yesterday also brought details of options deals at Swalec, the S Wales utility, where Mr Wynford Evans, the chairman, exercised options on 111,510 shares, netting a paper profit of just under half a million pounds.



Properties in London's docklands, pictured above, are letting and selling faster than at any stage since the late 1980s, the London Docklands Development Corporation said. Some 800,000 sq ft of offices were let during the year to March, the most since 1987 and 50% more than the previous two years combined. The LDDC said that 75% of all private sector investment in the hage development has been from overseas.

Hurd tries to rally Eurosceptics over EU enlargement

By Ivor Owen, Parliamentary Correspondent

Mr Douglas Hurd, the foreign secretary, appealed to Tory Euro-sceptic MPs in the House of Commons last night not to oppose the legislation enabling Britain to agree to the the entry of Sweden, Finland, Norway and Austria into the European Union.

He argued that if their fears that the new entrants would give fresh impetus to the development of the EU's social dimension proved well founded it would increase the value of Britain's opt-out from the relevant section of the Maastricht treaty

Mr Hurd urged the Eurosceptics not to start opposing enlargement of the EU "simply because we do not always agree with all the views of those who come in".

He stressed that as Sweden, Austria and Norway would be net contributors to the European Union's budget they would share Britain's interests in budgetary discipline and value for money.

value for money.

Mr Hurd also emphasised that as a result of the addi-

tional number of net contributors it was expected that Britain's contribution would be some £300m less over the first six years of accession than it would otherwise have been.

Other favourable factors included the benefit to Britain's agricultural exports through the opening of the previously highly protected markets of the four applicant countries

Those involved in Scotland in off-shore supplies for the oil industry would also benefit, he said, from Norway's acceptance of the EU's rules.

Mr Hurd forecast that overall British business would benefit, "not hugely but significantly", from the enlargement of the EU.

Mr John Cunningham, opposition foreign affairs spokesman, promised the support of the official opposition for the bill in the event of a vote being forced against it.

He said a Labour government would not work with Italian ministers who were "neo-Fascists", but denied that this amounted to saying it would not co-operate with the Italian government.

Farm advisory body earmarked for sale

By John Willman, Public Policy Editor

Two Whitehall research agencies have been recommended for privatisation in a report published by the Cabinet Office Efficiency Unit yes-

terday.

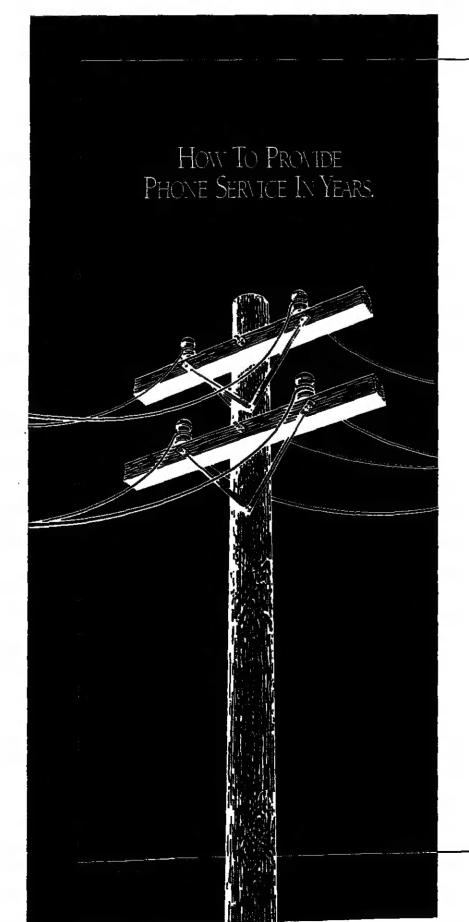
The report on government research establishments recommends privatising Adas, the farm advisory and research agency with a large agricultural consultancy practice. The Ministry of Agriculture, Fisheries and Food is reviewing its future. Adas was identified as a candidate for privatisation when it became an agency in

The report also recommends privatising elements of the

Building Research Establishment, the environment department agency that carries out research on the design, construction and performance of buildings.

If the government accepts the report's recommendations, research laboratories accounting for almost 50 per cent of spending on public sector research establishments will be in line for privatisation. The 50 establishments employ some 31,000 staff and cost about £1.3bn a year to run (some of which is earned in fee income). Research establishments not ready for privatisation should be considered for transfer to

ready for privatisation should be considered for transfer to universities or to private sector companies, the report recommends.



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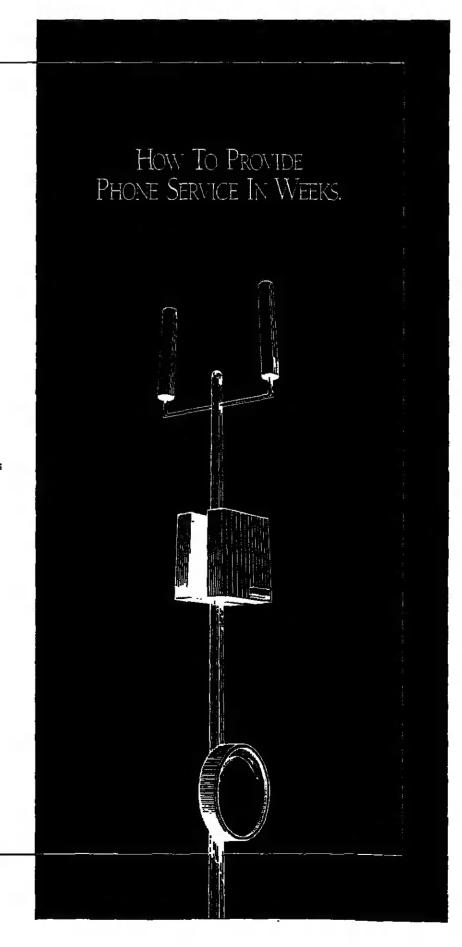
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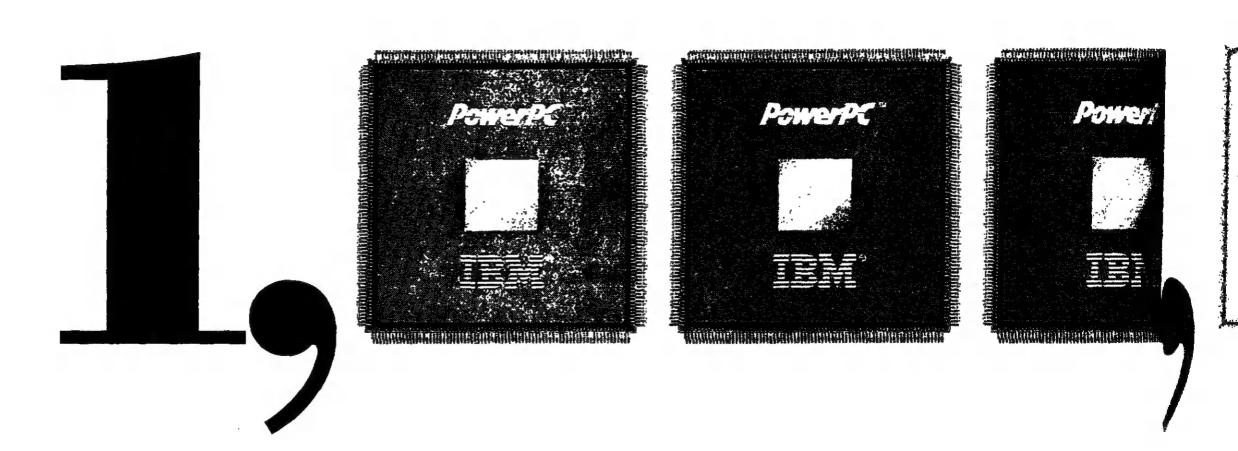
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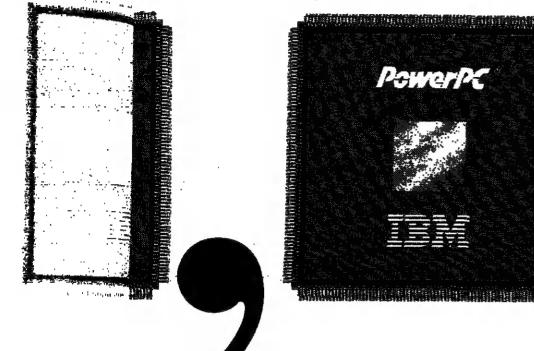


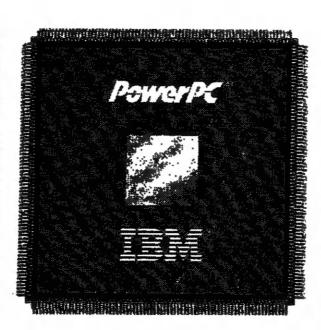
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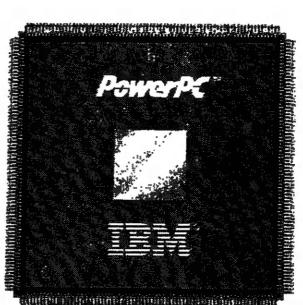
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Fujitsu staff go it alone

n Japan, where lifetime employment is the norm and people tend to be paid on seniority rather than merit. leaving the corporate fold to set up a risky new business is almost unheard of.

But Fujitsu, the computer company, wants to encourage some of its 54,000 Japanese employees to do just that and maybe help them become rich in the process. As part of its campaign to make staff more flexible, it will put up money for them to strike out on their products and services.

The idea of corporate venturing is well established in the US and, to a lesser extent, in the UK. Despite the absence in Japan of a widespread venture capital mentality, Toru Katsurada, Fujitsu's planning and personnel director, hopes technology experts can be spurred to develop an aggress entrepreneurial streak. The programme, called new venture system, is still at an embryonic stage, with only two projects (still confidential) under

It was announced last month and, believes Katsurada, is virtually unique in Japan. For every venture it approves - up to five are expected to be launched each year - it will match funds from the ex-Fujitsu owner, who will own 51 per cent

consideration.

"It's a high-risk, high-return programme," he adds. "We might lose an excellent engine and incur a large loss if the venture fails - but we might be able to introduce new products as a result of this

Fujitsu will expect each venture to start making profits after three years. Because Japanese stock market listing requirements are so strict, start-up companies cannot easily use flotation as a way to take profits. So if the owner wants to sell, Fujitsu will buy the shares at a "very high" negotiated price, if justified.

The ventures could be in any area of information technology,

Andrew Fisher

roducing a technological innovation that will create a market and launch a company is difficult enough. Repeating the trick so that the competition does not catch up and turn your innovation into a commodity product is altogether a trickler proposition.

The result is that many compa-

nies that should have sold out after stage one are unable to maintain the momentum into stage two and see their value fall.

One company that is trying to negotiate the tricky path of innova-tion is Newport Technology Group, a maker of electrical components based in Newport Pagnell, Bucking-

Four years ago the company developed a new way of making small DC-DC converters - devices used by design engineers to produce the different voltages required by small components and to isolate power sources.

The converters are an unlikely hybrid. Using skills originally developed in the local lace-making industry, a small army of part-time out-workers "sew" the wire windings on to Newport Technology's miniature ferrite transformers.

This cottage industry is then brought together with the 20th century. The windings are mounted on a ceramic substrate, or board, which disperses heat more effi-ciently than the printed circuit board used by many DC-DC converters. The result is that Newport Technology has consistently been able to make its converters smaller than the competition's, saving valu-

Not only has Newport Technology carved out a worthwhile slice of the niche DC-DC converter market and built sales from £1m to nearly £8m in four years. The improved margins have helped finance innovation in the production process so that the "sewing" ladies now share a factory with robots that help assemble

The manner in which Newport Technology has innovated products and processes is instructive. Since the first innovation, the company has moved relatively cautiously. But the initial break with the company's worthy past required a

degree of entrepreneurial chutzpah.
John Cummings, the recently
arrived managing director of Newport Components, the main group
subsidiary, says the team which
backed the push into hybrid DC-DC

"John Baxter (the technical direc-tor) was convinced there was a mar-ket but there was no established market," he says. The customers did not know they wanted the product until they were told it could be made at the right cost. He compares the process with the selling of televisions in the 1950s when the exist-



Call for a repeat performance

You must remain innovative but in doing so you could lose everything. Richard Gourlay on a necessary risk

ing market was still small.

John Laurie, who invested in Newport Technology in 1990 and is now group managing director, says deciding whether to back innovation is tricky. There must be a bal-ance between getting ahead of what the customer wants but not so far ahead that the customer is not interested. No one wants to suffer the fate of Philips, the Dutch elec-tronics group, which introduced the laser disc before the market was ready. "There is no point developing something if no one wants it," says Laurie. "But it's a fine balance because if you are creating a market you have to stick your neck

Newport Technology believes this move led to the development of a converter that electronic product designers say is now a standard part of their tool kit.

The company took a similar risk when it replaced the manual placement of components with a robot-controlled process. "Initially it was a hit of a punt going with robotics," says Laurie. "We were not sure the computer could handle the accuracy of placement." But with some modifications of the software it has become a feature of its operation,

leading to a heiter quality, yield and reliability.

The innovation of the hybrid DC-DC converter was followed by dozens of further developments, many leading to reductions in size or increasing capability to isolate high voltages. But Cummings says most of these developments would not be classified as innovations. "We have been in an innovative period. Now there is a period for good product development and market development," he says. Many companies do not get

beyond this stage, according to Stuart Slatter, visiting professor at the London Business School and author of the book Gambling on Growth: How to Manage the Small High-Tech Firm. "So many British companies have an innovation that is enough to start up a company that gets sales of £5m and then they have to come up with the next generation," he says. "Often the next generation involves a new jump that is like starting a company all over again.

Newport Technology has in practice accepted this. But instead of seeking its next innovation within the main operating company, it has set up a discrete subsidiary, New-

port Power Devices. This separately funded company is developing ways to measure the life and residual power of lead acid batteries.

"John [Laurie] is not confusing the need for the next level of innovation with the money-making requirement of the existing idea," says Cummings. For Newport Technology, the

mixture of product development and innovation – and the ensuing improvement in margins – has put it in a virtuous circle. The group has just opened a new manufacturing facility in Guangdong, China, to increase capacity and take advantage of lower labour costs. This has given Newport Technol-

ogy the option to consider moving into the US - where it recognises margins will be squeezed - and in particular the mass market supplying makers of boards for local area networks, each of which require a DC-DC converter. With Lans spreading at rapid

pace, the attractions of the market are clear. But Newport Technology does not want to lose the fruits of successful innovation by going the way of so many British comp that have been dazzled by the US market and stumbled.

A bar to corporate borrowing from building societies is being removed

Shy lenders on the high street

Then Alliance & Leicester Building Society bought Girobank in 1990, it was not allowed to take over the bank's commercial lending portfolio. To have done so would have contravened the 1986 Building Society Act. In retrospect, Alliance & Lekester might be grateful that

it was spared the dreadful losses many commercial banks suffered in the recession from lending to smaller companies. But government plans announced last week mean that,

subject to members' approval, building societies will be able to expand dramatically their lending to corporate customers.
According to Anthony Nelson,

Treasury economic secretary, this will provide a welcome new source of funds for business and "introduce a new element of competition into an area traditionally dominated by a small number of high street

Are building societies likely to want to compete with high street banks and would this move be welcomed by borrowers? Under the 1986 act, the societies

have been able to lend if their loans are secured on assets such as pubs, hotels, nursing homes and factories. "Some regret doing it," says Adrian Coles, director-general of the Building Societies Association.

They will now in theory also be allowed to lend against any type of asset, or even unsecure The BSA has given this part of the government's proposed changes a lukewarm reception. But they welcome the changes at the smallest end of the market. In the past, societies lending to sole traders had to stop lending if they incorporated. "We did not see why we had to withdraw because the sole trader incorporated," says Coles. The reaction from

small-business lobby groups has also been less than universally enthusiastic. They welcome any move that increases sources of lending because that would tend to bring down the cost of borrowing. But they would not want a return to the experience

of the past five years when, they say, over-zealous lending has been followed by a cooling of banks' enthusiasm. The plan to increase competition is most likely to be thwarted, however, by the building societies' own reluctance. The most compelling example of that disinclination can be found at Abbey National, which shed its building society status in 1989 when it became a publicly quoted

Since then Abbey National has made no move into commercial banking and says it has no intention of straying beyond its personal finance market.

The societies are fully aware of how badly the banks were damaged by the recession. Their losses are well recorded. But the societies are just as scared of the bad publicity that banks received after cutting overdraft lines and calling in receivers.

"Most societies will be very

wary and approach commercial lending tentatively," says Coles. They will see what the banks lost in the early 1990s and what happened to the banks' PR."

Chris Smith, analyst at stockbrokers James Capel, also doubts that societies will now rush into commercial lending. Small and medium-sized

corporations are repaying more than they are borrowing at the moment, meaning the societies would be chasing a share of a shrinking market.

If the societies moved quickly into commercial leading they would risk picking up only those accounts the banks were happy

Longer term, however, Smith believes building societies might onsider taking on the main lending banks, but only if there were first significant mergers of societies and if returns from lucrative mortgage lending showed signs of a long-term

For the time being, it seems companies seeking loans will be making appointments with high street bank managers and not their counterparts next door in the building society.

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AFS TELEVISION DAYS

he high-tech the glass and steel building London occupied by the Lloyd's insurance market rarely been matched by of the technology within it. Until 1990, for instance, Lloyd's was one of the world's largest users of punched cards, a near-obsolete form of MM processing.

punched cards, which it to details insurance risks. have now been dispensed with, But several other aspects of Lloyd's business systems still look old-fashioned. For example, nearly all risks at Lloyd's are placed in the traditional fashion by brokers clutching heavy leather folders documents and walking from underwriter to

The I improve Lloyd's of technology has been given a high priority as it attempts to pull itself back from the record-breaking losses of recent . The impor-placed the new systems month prompted Poly Middle-ton, chief executive, in the broking will underwriting firms to appoint main board director to take responsibility for the changes.

Lloyd's plans to cut £20m of operating each we by move in electronic processing and the streamlining of ill business in cesses were announced in Lloyd's business plan way year. The withe most fundamental changes pro-posed by Lloyd's is introduction placing support, means that all contracts will have to be put on screen by January 1996.
The significance of the electronic

contract is that it should create cost should lim from reduced paper handling, from the elimina-tion of the seed on re-key data and walidating data and correcting errors.

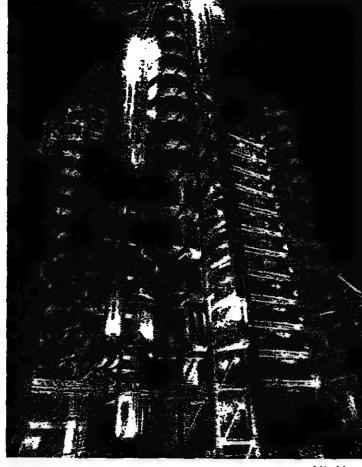
the same time, full electronic

will also improve the centrally-held information he syndicates managing instance, Lloyd's believes that more timely information on signed premium income will allow it to manage its capacity more effectively.

the line of it, this is a paperless in the has an inordinately long time. When the use of the electronic placing system mandatory in will in nearly in mandatory in Big Bang swept away the need for face-to-face dealings on stock

The last plan of prepare to blamed partly on the complexity of the business handled at Lloyd's and partly the highly fragmented nature of the market, which means there are few big players with sufficlout w was through changes. The need for management and consensus has restricted the

Nonetheless, Lloyd's and the **YACHTS&**



All change at Lloyd's

The insurance market is about to embrace electronic processing. writes Vanessa Houlder

players in Landon insurmarket Mir made would stridas towards electronic processing. In summer in 1987, underwriters and brokers from all sectors of the Latter mental joined. together to develop a market network - called the London Insurance (Limnet) ambraced electronic data exchange, interactive terminal switching, electronic mail, and various information services from Lloyd's and outside suppliers. Limnet is now the largest commercial insurance net-work in the world, handling some

25m in the every year. The recent development in Lloyd's efforts to press ahead with wards Reinsurance Scheme (Lors).

Since the beginning of December 1963, this has processed all outward reinsurance debit and credit notes electronically, scrapping the need for processing im pieces of paper syear and cutting the average cost of each transaction from £1.21 to 60p.

But the introduction of Lors did not go entirely smoothly. "The problem was that the staff needed

training which was done in a haphazard way," I Janine Bailey of Lloyd's Business Applications Sup-port. Instead of building up gradu-ally to the deadline of December 1 1993 when the use of Lors became compulsory, too many firms had a last-minute rush III get familiar with the system.

Lloyd's wants to learn from W experience with lamby gradually increasing the volume of business placed electronically until it becomes compulsory in January 1996. But progress if far has been halting. Since electronic placing was introduced in March 1992, there have been will risks placed on the system, equivalent to just 0.05 cent of the NAII volume.

Lloyd's II adamant that the impending arrival II electronic pro-cessing should be taken seriously by the senior executives of the broking and underwriting firms, and not just by their IT The mason is that the impact it is new systems will a far beyond the IT department is a fair the working "It is not stechnological problem. is a cultural problem about change in business practice," says Andy Coppell, Lloyd's systems and

operations director.

It not clear how radical the changes practice will lt still remains far La arrival La practice La "face-to-face" negotiations and Un-personal relationships on which the market has been built.

So far, the consensus is that sim-So far, the consensus is that simtypes as personal accident policies will be
placed electronically. But
face-to-face will still in
insurance more
complex risks, which is a copious amounts of information. "For
anything with the slightest complication, there will still be need for
to face," Martin Hall, a
broker.

But even if the new technology does not sweep away existing business practices completely, some # the consequences of introducing technology may le painful.

The froning out of the state of will are used, at the electronic of jobs. It is no wonder that electronic processing is not such with minimum by everyone.

Coppell acknowledges the problem. "You are asking people in ambrace this technology knowing in will put them out of a job. It is a psychological barrier."

However, he believes that Lloyd's has no choice but to embrace the new technology. "If you don't modemise and become more cost effecyour volumes will come down. There is a bigger history of reduction in industry by inefficiency rather than by successful application of technology." Pan-European mobile telephones are becoming increasingly popular, reports Joia Shillingford

On the move, but still in touch

re pan-European mobile A rependence business necessity or the ultimate executive toy? Whatever the answer, we shall soon hearing more about them. James Ross, telecommunications analyst 🔳 Hoare Govett, says Vodafone will be promoting its EuroDigital service more beavily this summe and Cellnet is launched a rival service this month.

Friedman Wagner-Dobler, a computer consultant at Clasma Software, bought his Vodafone GSM telephone "our marketplace is Europe, so it's useful to be contactable on the numerous occasions I escape to Sweden or Germany". [18] (Global System for Mobile) is a digital cellular technology which becoming the standard for new European digital malli telephone

Fuels bought a number of Cellnet GSM telephones from Securicor Cellular Services to comply with European regulations for the transportation of hazardous lit telephones to keep in touch with cruces carrying fuel and and inform the authorities of the position of its venueres.

The benefits are clear enough, but what are the choices if a telephone is needed that works on the Continent? In the UK, and Cellnet offer GSM cellular services which can be used in continental Europe through so-called roaming with national providers. Although Cellnet's service is officially launched 🐜 month, it has been available for some time to customers who request it.

The two GSM are eparate from the analogue services offered by Vodafone and Cellnet. This means would-be naers will have to buy expensive new handsets costing around £200-£500, whereas the analogue equivalent can be bought for as

However, because any GSM talephone will work with any GSM network, it is passed to shop around for telephones and even services, according to Peter

marketing director of Multinational Automated Clearing House, a company which helps simplify cross-charging between a number of European mobile telephone operators.

"Phone prices vary from country to country and you may pay different prices depending on whether you buy the phone with or without airtime," says Tariffs Les services also vary. "Switzerland is use of the places get GSM from, as is Sweden."

In addition to Ma GSM options, two UK mobile services, Mercury's One-2-One and Hutchison Microtel's Orange, www signing



Staying in contact scross Europe

roaming with other European operators whose also based on PCN (Personal Communications Network) digital technology, a variant of GSM. At present, there are few of these, but One-2-One and Orange users should eventually be able to use their telephones in Germany, where PCN operator E-Plus is offering

services in Leipzig and Berlin. Whatever service is chosen, pan-European mobile telephor is unlikely to be cheap. This is not because registration charges or monthly subscription charges are particularly high; a Vodafone or Cellnet GSM user pays about the same for UK calls and for registration and subscription as

a business customer of its analogue services. The reason III that the mark-up on calls between countries can be vast. despite this, most customers feel they receive value for when using their GSM telephones in Europe.

Would-be GSM users should be aware that if they receive call when they 🛺 away from home country, they must the international leg of the call at RT rates. The caller pays the usual UK charge for dialling ■ cellular phone and may

not even the being called is abroad.

Using the mail provided cellular operators prove expensive. Wagner-Dobler "I you use your phone in, "Sweden, any unanswered calls will be [voice messaging]. The calls will first be bounced from the UK to Sweden and then bounced back to the UK and you will pay for both international calls.

One of avoiding according to is In pre-program the telephone to "call forward unconditional" before leaving the UK. All will go straight to Vodalone Recall and can still be checked from Sweden or elsewhere.

GSM in Europe is still spokesman, says it is very good in Germany and Scandinavia, good in Italy and the UK and virtually in Spain.

Using an overseas GSM network is easy. Provided a credit-card mized Subscriber-Identity-Module Card (with built-in computer chip) inserted iii the telephone, it will select a local GSM automatically. The local GSM network will also notify the home network where you are so it can transfer calls. Call quality is better in some

countries than others, and mountainous areas are particularly subject to difficulty. Despite such teething problems. Wagner-Dobler is not alone when he says: "It's a miracle that this kind of thing works at all."

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Ruling on Cypriot import certificates



and potatoes are imported from the part of Cyprus to the north of the United Nations buffer zone, member countries of European

court the Union *** precluded from accepting and phyto-sanitary other than the competent the Republic of Cyprus.

This the European Court of ruling on interpretation of the IIII EEC/Cyprus ciation Agreement and 1977 on plant health controls. The ruling was given in the cortext of English judicial --- proceedings against the UK Ministry of Agriculture, Fisheries and Food by Republic W Cyprus Inc. and potato exporters.

They challenged the UK authoripractice allowing imports into the UK accompanied by Illicated insural by the Turkish prove goods' Cyprus origin, in particular preferential preferential treatment, and phyto-sanitary guarantee plant health.

was agreed by parties that 🔙 Republic 🖬 Cyprus 🗎 a 🚃 eign state, recognised by European Community member states: hit the UK imports significant volumes 📶 citrus products 💶 potatoes from the part of Cyprus to the north of the UN buffer zone, accompanied by certificates issued by the Turkish community there; and that none of the certificates are by the authorities

Republic M Cyprus. The seal million previous establishing that system whereby movement are regarded as in the in origin products in founded m im principle of mutual miles and co-operation in the land petent inclination of the exporting and importing was

Such co-operation was an including with in many an entity mid w like in the northern part Cyprus, which H recognised neither by Community by countries. The only Cypriot they recognise is the Republic of Cyprus.

Accordingly, the ECJ held the provisions must be interpreted strictly, to ensure uniform applicaof the agreement. The toms authorities of the exporting

When citrus fruit state" must interpreted un referring exclusively to the compe-tent Republic Cyprus exports to the EC involved. In agreement, therefore, precluded acceptance of

from other authorities. The Greek and Irish governments intervened in support applicants. The UK and the Commission, however, claimed an the special situation of Cyprus justified acceptance of certificates issued by the entity in the northern part of the island in prevent discrimination nationals or companies of Cyprus, so as to ensure the entire popula time of Cyprus - the com-

mercial advantages available

under the agreement.

The ECJ held the the factor partition if the territory if Cyprus, is result of the intervenof the Turkish in 1974, into one the authorities of 🝱 Republic 💵 Cyprus continue fully in manual their present and another must When they make do to mike problems difficult in manua in connection will the application W the working is illy whole of Cyprus. However, that did not warrant 🔳 departure 📗 🚞 clear, precise agreement's provisions of agreement's on products of

The Court also rejected argumed in international ac which the common claims justified a practice which it was found to Lim unilaterally applied and signathe hardelets in him and For similar empowered" in III III and III must be interpreted referring exclusively Republic of Cyprus la lasue phyto-sanitary certificates. The directive, therefore, precluded the acceptance in certificates is by other

co-operation.

The ECJ ship will that the would in no different if with a second connew with the special attention of the labour of Cyprus were labour

C-432/92, R v MAFF. park II P Anii Safkin ann albera Interveners: Cypruvex; ECJ FC, July 5 CM

BRICK COURT CHAMBERS.

egulations 🖿 banana imports Euro-Community may on the point of scrapping the enforceability of rules drawn up under the General Agreement on Tariffs and Trade.

în February last year, 🖦 🔣 Council adopted a regulation for the European banana market as part of the IXI internal market programme. It is designed to protect banana cul-tivation in the EC and to maintain the existing level of banana imports from former colonies of France, the UK and Italy. Otherwise, imports of bananas from Central and South America are expected to gain an

increasing share of the BC market. The pre- initial and Links Augusties, which are laints under 🔤 📶 A 📶 pane found IIII the regulation William Gatt's prohibition II import quotas and its prohibition of dis-Shortly Ed Council

adopted the regulation, Germany challenged its validity in the European Court of Justice (ECJ) in Luxembourg. The Germans dislike the regulation's bureaucratic, Gosplanlike set-up and the higher prices it entails. One of the grounds which Germany invokes to invalidate the regulation

Last month, however, in an opinion in the Culmann. advocate general at the ECJ, concluded that the regulation had been lawfully enacted.

His opinion will be a concern to those who believe the Community should not stray from its commit-ment to free trade. But more worrying is the way he deals with the Community and The alexander neral pure n dinime u grounds for by ECJ. In large part, EC's obligations I a dam are to be scrapped as grounds for review.

In the EC, and of legal succeeding depend partly on milita The minute In this respect the "direct effect" of many rules of Community helps EC citizens, by allowing them to rely on the in The own courts.

Moreover, IM INC! his mind that international agreements entered into by Community may contain provisions will direct treaty provides lim interagreements me binding on Community's institutions and on in manham states.

In EC law, the Gatt ranks on a per will such international agreements, even though Illa Community never formally acceded in the 1947 Gatt accord. In the 1972 International Fruit Company case, how-

The trouble with bananas

Anton van Schijndel on the effect of Gatt rules on EC legal protection



ever, the court denied direct effect to the provisions of Gatt. It is therefore not possible to invoke the Community's obligations under the Gatt

in national courts. Yet, five years ago, the ECJ con-firmed that Gatt rules constitute grounds for raview actions brought before it. As a result, EC dary legislation (such as the Council's banana regulation) will be annulled if the Court finds it conflicts with Gatt obligations.

It is this rule of EC law which the dvocate general wants to curtail. His point of departure is the fact that the hanana scheme is currently the subject of negotiations with several Latin American countries. It could therefore jeopardise the Community's chances to safeguard its interests if the ECJ invalidated the Council's regulation.

III man points in the reasons given in Me International Fruit Company case for denying direct effect of Gatt rules. In the 1972 case the ECJ referred to the flexibility of Gatt system and to basic principle of negotiations aimed at mutual exchange of advantages. In particular, the ECJ pointed to the many possibilities for derogations to Gatt rules, the provisions concerning unilateral safeguard measures the Gatt's consensusbased dispute system as examples in the flexibility. The Court's misjudgment of the binding name of Cast rules, a. C. M DE THINK IS HE LAW.

The Market general limit says ple with dispute with mechprecludes and rules Inc. having legal what make III law. Im adds, notwithstanding in Jab's flexibility, in rules and La sufficiently clear and uncondi-

hen a change of direction. The advocate general says which preclude hameal courts applying ille Call also apply in brought brought ECJ, disputed Community manufacture it is a expressly fulled In the Gatt.

In support a argument, he quotes the true Fediol 1991 Nakajima = In In ECJ recognised that Call rule are stitute grounds for judicial review. They both concerned Community legislation in which explicit reference was particular and rules - . Court mentioned both judgments. This the advocate general is conclude which expressly refers III Gatt obligations may reviewed in the light of Gam rules.

It is very clear, however, the the banana regulation does not refer to the In fact, it could never have

it breaches perti-The advocate general's reasoning is unconvincing. First, international agreements we part and parcel of the EC legal order, binding on all Community institutions, including the ECJ. Man is the wording of Article 228 (7) EC. Second, rules

contained in international agree-

which the Court is charged

uphold. Third, both member and private parties are entitled to invoke rules in actions brought before III ECJ. attention in the spinion which with U. Gatt. a water new category of EC legal rules is introduced, namely those which can neither be enforced through the national courts nor through Im European Court. This in highly unsatisfactory - especially

when considering the existing imperfections in the EC system for legal protection. A decline in the protection would therefore all the undesirable. The general's reasoning don in potential consequences under EC law of the Uruguay I rules. The new disciplines in many and include dispute minimum proce-Community to block unwelcome

Yet EC reports. Online Illet compliance with the rules is a matter to be dealt with diplomatic only. They "defenceless" against in trading partners !! In rules could through In ECJ. They internal effective and internal effective in the rules that it is the

within Community law. Do would, however, her this view could be squared with the pertinent provisions of the Roma treaty. Moreover, the made diploargument is appreciate Community's overriding interest in a free and orderly trading system tand on liberal principles.

Contrary to the alacate al's apparent lett. Ihe enforceability of Gatt rules within the EC is an and an a matter. It illumi The EC institutions in withstand protectionist thereby strengthening Community's position in pushing for the liberalisation of world trade. In the broader context, un un un ma the European Court in its powers if review under Treaty of Rome.

LEGAL BRIEFS

Silver at the state of the stat



English and Brussels lawyers reach agreement

he Law Society of England and Wales and the French and Dutch-language Brussels. Bars have reached agreement, after two years of negotiations, on the right of lawyers to practise under their title in each other's invisdictions.

English will be able to practise under their establish firm names in Brussels from September 15 without registering on one of the Brussels Bars' light of foreign lawyers.

Burst of energy ity solicitors Allen & Overy has been voted the leading law firm in international

energy law in the 1994 energy finance poll, conducted by Petroleum Economist magazine US firms Baker & Botts and Vinson & Elkins were ranked second and third, with the UK's Herbert Smith

Psychology help

A consultancy specialising in a sychology A of human re-management is the legal reserved City I and psychologist Catherine Berney.

Berney, who worked in international finance at McCana Fitzgerald in Dublin 📶 Linklate & Paines in London, says many firms expanded in the late 1980s williand any clear summe of direction and we pass facili with communication, development and they me ill-equipped to handle.

Personal Milit are also something which come naturally to lead solicitors, we says, yet increasingly they are asked to M for their firms having received presentational or manufacture eliting treatments

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Europe for Unilever Antony Burgmans (right).

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Unilever's director if personal products, is about to swap the paste for that of ice creams and

On August 1, he takes up a new appointment on Unilever's Foods Executive as director for southern Europe, succeeding Charles Miller-Smith, just appointed executive of ICI. The three-strong oversees the smooth running ill group's hold because around the world, divided north and south Europe and the LL

The appointment will Burgmans, 47, back his native Netherlands; the base for in travels southern Europe. Burgmans has been in charge of personal products

business the he a ur of Unilever in May He is alm responsible for marketing projects After studying business marketerment in the Backerlands and social and political

sciences in Stockholm, Burg-

mans gained a degree in busi-ness administration at Lancas-

ter University II name was

He joined Unilever in 1972 and his career has given him

PEOPLE

APPROXIMATE PARTY

Young promoted at Wolselev

question of who will succeed Jeremy Lancaster, the chairman and managing director of Wolseley, the world's biggest distributor of heating and plumbing products, has found a partial answer in John Young's appointment as group

deputy managing director. Lancaster, 58, a publicity-shy figure who took over from his father, Norman Lancaster, in 1976, has transformed Droitwich-based Wolseley from a poorly-performing builders' merchants into one of Britain's most admired companies. In terms of its market capitalisation of £2.2bn it is now over 50 per cent bigger than Tarmac which once tried to take it over

in the 1970s. Although Lancaster has not formally said when he intends to retire, it is widely believed that he may hand in his notice

Burgmans to

head southern

when he reaches ... hence the growing interest in the The assumption is that the same will recruit a non-executive chairman new chief executive will be promoted from within

However, several of the obvian close to retirement. Ernant Ireland, Wolseley's finance director who are been worden in non-executive chairman Severn Trent, is expected to retire 🗺 📛 🚾 🗓 meeting later way year and William Ferris, Wolseley's engineering. and plastics operations, and in April.

In some Young, II. comes from a similar background in Leanure who did his apprenticeship at ATM joining the family com-

an opportunity of working in

near and far-flung parts of the

empire.

marketing director at Lever

Germany from 1985 to 1987 and

then chairman of PT Unilever

Burgmans will be succeeded

in London by American-born

Phillips, M. currently chairman Wnilever Prestige

President Phillips

president of Chesebrough-

Pond's before joining Unilever

in 1991. Il is

nominated 🗠 🗂 board 📺

May. 🛮 📖 happens, 🖃 will 🖿

only Annual director, only the second American

ever to have sat on the Uni-

md of leader and

manufacturing, IVIII and alle

appointed frame (I lie

administration, 🚅 🔙

INTERNATIONAL Michel

Moraine, Francis Giuntini

Pegrois Day

Crasmanski md

M THUTO AND

From a operation.

in Indonesia until 1991.

Young trained as an apprentice at TI Group before joining Wolseley in Will when his beily P.J. Parmiter bought for Was promoted to the board in when we made responsible for the agricultural division subsequently became responsible for the photographic and lateral berries

operations

Young is the said water it new appointments the Wolseley board. It has already been man that Steve Webster, a partner in Prim Water ls joining the board in the end M month as deputy group director. Pinault, presi-general, Bros-BTL and Andrew Hutton. managing director Wolseley Centers, see his joining

Harrods' new bank manager The smart London district of Knightsbridge acquired a new

bank manager yesterday. He is John Simmonds, who has just become director and general manager of Harrods Bank Ltd., which is situated in – but not owned by ~ the famous store. Simmonds, 58, took early

retirement from Lloyds Bank when it was going through a restructuring exercise in 1992. Since then he has been acting as a consultant for small businesses and others, including Lloyds, and has just been approached by Harrods. Having been an area director with Lloyds, he is looking forward to running all aspects of Harrods Bank - which has assets of almost £25m.

With just 3,500 customers Simmonds sees his first task as establishing a relationship with the existing clients. Beyond that, he believes that there is a role in the bank in offering a personal service to young professionals who are not yet the high net worth individuals courted throughout the financial

services sector. "We don't want to be all things to all men," Simmonds says, "but one of the first priorities is to look at those who are one or two rungs up the ladder and believe they merit a more personal service than they are getting from the main clearing banks."

Bodies politic

Lady Brittan, the longest serving commissioner of the Equal Opportunities Commis sion, has appointed it deouty chairwoman.

Lady Brittan been a com with the EOC 1988 and 🔤 appointment a deputy chairwoman will ru until 🗫 end 🔳 the year, 📹 her second term of office as : commissioner comes to an end She is also chairwoman o Community Industry, a national training provider for and adults special needs and in deputy

tilisation and Embryologi Authority.
Smith, general secretary of the are and lecturers, and Man Berg, an independent consul economist specialising in industrial economics, been appointed commiss

the Human la

Barry Skipper, division of Booker. has here appointed chairman SEA FISH INDUSTRY

AUTHORITY.

David Hobbs, the Autobar Food Services Group, has been elected chairman of the AUTOMATIC VENDING ASSOCIATION OF BRITAIN. Sir Cohn Marshall. chairman of British Airways. has been appointed chairman of the International Advisory Board of the BRITISH-AMERICAN BUSINESS COUNCIL.

PRINCE OF WALES BUSINESS LEADERS FORUM ■ David Croll, chairman of Millbrook Bedding and Millbrook Furnishing Industries, has been electe president of the NATIONAL BED FEDERATION. Caroline Vaughan, executive Newmarket

Bernd Pischetsrieder,

appointed vice-pre

chairman of BMW, has been

Tom Glancy, md of B&G Ltd. has been appointed president of The CHARTERET

loner City Enterprises, has FESTIVAL ORCHESTRA

.

Venture Capital, has been appointed deputy chairman of the HOME-GROWN CEREALS AUTHORITY.

INSTITUTE OF MANAGEMENT ACCOUNTANTS. Philip Sellers, chairman of Pegasus CFM, and been appointed a member if board M III LONDON

TEGAL BRIEN

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IMES TO PARTY OF TYPE

Heroic years of American painting

William Packer reviews the work of Franz Kline

■ often it is by III smaller things - the shift of emphasis, the pattern only at a distance - that we learn The state of the s olution achieved. We may believe, example, that painting and drawing are under slege, that the orthodoxies of conceptualism run triumphant in the halls ill Tate and Hayward will the Councils of the wise. Indeed much M the current art-critical debate II set on just this premise ill embattled

> Yet suddenly we have about us and painting - good, modern painting - is everywhere. From Bonnard Brits, the Tate.

the Whitechapel are full will stuff. Franz Kline could hardly be shown in greater advantage than whitechapel, in high, open and gentle light, where indeed we last had proper view of him all M 30 I large, deceptively simple canvases with which in show begins, black abstract figures on white grounds, 🖿 spectacular. 📭 at once we confront | true in MI pomp. It is an exciting

Kline one of leading fig-ures York Painters of the 1940s and '50s, we know collectively the expressionists. Such as Pollock. William and the Kooning his hall and, if he was not greatest, he certainly, in III time, the equal of any of them. But in 1962, a little short of his 52nd birthday, at just the painting was so conspicuous champion sweeping

It was no longer, then, a question whether, as an artist, you migurative or abstract, is the natural or unitable for a tidal art-historical moment II

expressionists, and the man the

The pre-eminence that American criticism distract for the abstract expressionists warming work dent his longer being there to enjoy, or perhaps be exploited, in of his present apologist, Stephen Foster: "by III commercialisation | III | garde". He neither the hero dead IM soon

- Pollock, Carillia - nor yet de Kooning, Rothko, etc. revi-criticism, trying

The paintings are monumental in their authority, extremely moving in their emotional charge, and very beautiful

along - attempted "to reject the entire attempted" legacy". Trail too week man make days

"Art III & Brief W Identity" is the mail III and sub-title. which up against. "I Kline," Kline," in a long Till century history anti-modernist leys claim is an almost distributed by the war period without many ism's wine critical, theoretical, historical guidelines and without in inevitability, tradition, or perturb directional

What me actually with, Once the critical histoire fell swap,

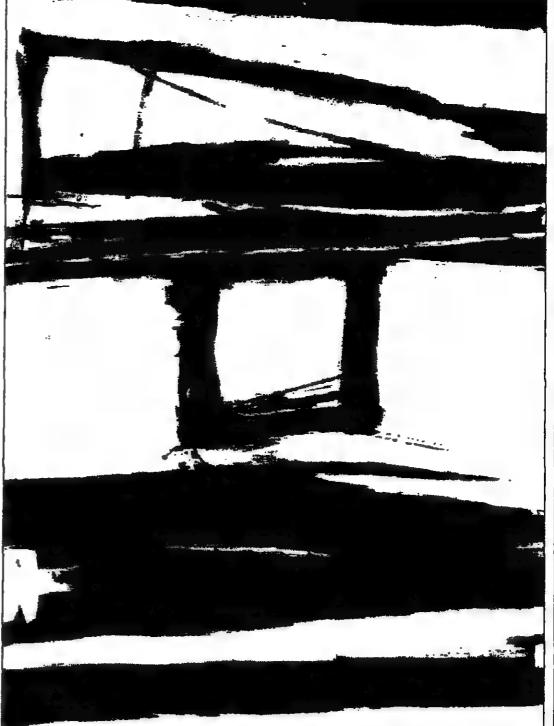
enough in . American and from are paintings, monumental in their New York. There were the authority, extremely moving in the emotional charge, and very The the covers the art Kline's la shows us in their and mitted development of his work in that time, as it moved from a external, albeit abstracted visual reference, fraught with surreal and symbolic sugges tion, towards something much purer, simple and self-con-

> The me a journey with Mak along with III fellows, arguing vociferously while. I me our vantage point II L clear In the truly heroic man in modern American painting rather later, when achievewest makes from as style and

Mile win Kline the law fixing never quite happened. Always III Implicit possibility change 📖 surprise, even 🕍 🟬 later, seemingly seem formulaic works. The image, II calligraphic figure is a loosely-stated or compositional _____ he on sweeping the of The paint vigorous and spontaneous mile surface, and over-painted again again, history of uchan here, and changes of mus-

"I short Diddle in Ministel DAI I ence," be said, "but the of painting, it he man genuine den in me." It is simple, and imponderable, as limit.

Franz Kline: Whitechapel Art Gellery, Whitechapel High Street £1, until September 11, then on to Madrid and Saarbrucken, organised by the Tapies Foundation, Barcelona sponsored by Morgan Stanley.



Vigorous and spontaneous in (la all of painting: 'Palladio' by Franz Kline (1961)

Opera/David Murray

A volatile Don Giovanni

lyndebourne's new Giovanni, Gilles Cachemaille, never stops stripping. No sooner has he donned one shirt than he yanks it off to be replaced by another which Leporello hands him, or else he struts bare-chested for a while. That suggests that he is perpetually hot, and also that he wants to show it (perhaps that is part of his technique): hot for it, hotter than hell. wrong, as proved by the designer Hildegard Bechtler's final vision of hell as a monstrous, flaming grill-

That is the only "realistic" set in Deborah Warner's production - and wise there is just a moveable plat-form (lowered ever so slowly from the flies onto a pit during the Overture), a high industrial tunnel, a tacky plastic curtain and the occasional staircase. Miss Warner has chosen to stake everything on character and visible action (and Mozart's music, which is leaves intact) while shunning anything

palaces, or ball-f alone equestrian nothing "period" that might ters, though the library clicks of markets must be their proveys

many a sly hint. Many of the Glyndebourne audience loved it (as did I), probably most; some booed. Of the latter, some were no doubt traditionalists who pined for the usual trappings, but others - espe-cially those new to the opera - were foxed, perhaps, by this parade of passions anchored in no solid reality. Knowing more about the opera than Miss Warner wants to show us

ARTS

glum, passive Don Ottavio is all least beautifully glum and pas-sive, beautifully by John Mul. Ainsley.

is wrong-footed by lend upwith plastic and shop ping-bag, but she the lady's essential dignity in later. Martinpelto sings Donna

Anything from the pit dwindled against what we heard and saw from the singers; Miss Warner has wrenched terrifically vivid character from most of them

may be a prerequisite for relishing what she actually does with it. many hatris conducts the Orchestra of the Age of Enlighten-ment with his usual towering vitality. I was less struck by any special period-instrument colours, perhaps because they have become familiar now, than by how faint some of the witty string-comments sounded. But anything I the pit against we saw saw from the singers; Miss Warner has wrenched terrifically vivid character from most of them (slow though they are with recitatives).

Arms with elegance, if without sense of tragedy beyond melodrama. Juliane Banse's Zerlina, sweetly knowing, throws Roberto Scaltriti's seething Masetto (perfectly defined by his limit suit) into still later relief; they are a splenclearly indicated for their

Though I am not convinced that a live, dinner-jacketted can carry in full dramatic aplomb. Leporello, Sanford Syl-

of John Adams' Nixon in China - is a ripe and of the full of comic touches, with a quick musical alertness rare in Leporellos. Above all, however, it Cachemaille's riveting anti-hero also are the show, and the even-

As if helibent to prove that he is just of Nature's Leporellos (Cachemaille's usual role in III ra), he displays a range o variety and feeling limit leaves Giovannis standing, even to pectedly seductive, honeyed to for "La ci darem" and the Serenade. Suggest I'm Suggest Giovanni is really a failed seducer, on the strength of his seducin the term the manic, maille hand him gives the in to that utterly.

Beyond it in mad, dangerous volatility, a constant that he may do anything next, just he the hell of it. There is something absolutely right about II. From now on, Giovannis lack it, whatever their III virtues, Im going to seem a little pailld - decorous impersonating a seriously wild man.

In repertory at Glyndebourne until August 24.

Theatre

Dangerous Corner

',B. Priestley was born a hundred years ago this year, and the West End run of last year's National Theatre production of An Inspector

Calls continues. The would think that these two facts would prompt slew of other Priestley revivals. But no. Chichester, which has just revived his first play, the eldom-seen thriller Dangerous Corner, is almost alone in honouring JBP. Strange.

The fun of watching Dangerous Corner for the first time is its suspense. About once every five minutes, Priestley springs another brilliant surprise on you. 1: Who went to see Martin might be committed suicide? 2: Who else went to see him that night? 3: Was it really Martin who stole the firm's money? 4: Who was in love with Martin? ■ Who else was in love with Martin? 6: Who actually shot Martin? 6: Why was Martin shot? 7: Who was taking drugs at the time? 8: Who knew who killed Martin? 9: What did the killer see after shooting Martin? And there are a few other twists, most of which reveal who around the room has actually always been in with wh Then the two big twists at the end Not a dull moment.

This production is, for Chichester, a sequel to last year's of Patrick Hamilton's Rope Priestley was and a carliest admirers of the original Alex last year's Rope (which recently had a short-lived West End transfer) and this year's Dangerous 🗀 🖚 share the same director. Keith Baxter. The pacing a good, and the period the land. The first half-hour has considerably musical-chairs moving around its war - I misse one of Freda's main because I got distracted by the posey glide she was making across the room - and a photograph in the programme shows you that the 1938 production created a mor authentically II drawing-room than Simon Higlett's interior-design

Freda Land the evening's dinner-party, mile in Robert, and sister-in-law in the late Martin) is Gayle Hunnicutt, every aspect of whose glamour and deportment is so synthetic that it is hard to believe in her, though this leads to a good moment when her poised facade cracks and she sobs for the first time. Peter McEnery is Robert slightly underpowered but expertly focused. Emily Raymond. as the level-headed and well-mannered Olwyn, gives a much more performance than she did across the road in

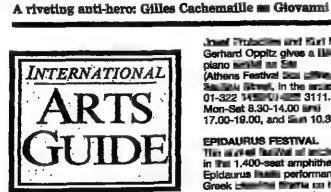
The Rivals. Charles Stanton (one of Robert's with *****) is played, perhaps too affably but with just the right assurance, by Christopher Timothy Betty, a young wife who turns out to be that bit more experienced than we knew, is played, well, by Biddy Hodson. Her husband Gordon (Freda's brother and a co-director in the firm) is Tristan Gemmill, who gives the evening's flair for both period elegance and neurotic disturbance. Oh yes -and Jean Boht contributes a little cameo performance as the drawling Miss Mockridge, which she delivers

Alastair Macaulay

In repertory at the Minerva
Timetre, Chichester, until August

with enough panache to make you surprised that her role turns out

to be the smallest.



■ AMSTERDAM

Concertgebouw Tonight Tognetti Australian in and by Biber, Vivaldi, Haydn and Walton, with guitar warm John Williams. Tomorrow: van Dan I recital. Thurs: Ton Koopman directs Amsterdam Baroque Ensemble in Purcell, Telemann Bach. Fri, Sat, Sun, Frans Brüggen Chamber Dalies in Imdifferent programmes
Mozart and Haydn, with piano Imogen Cooper (Fri and Sat. soprano Lynne Dinner (Sat) and string (Sun). Mon: Vladimir Spivakov Virtuosi (020-871

ATHENS

ATHENS FESTIVAL Heinrich Athens and Berlin Radio Comprow and Thurs Odeon of Harrison Albert in from Beethoven's Fidelio, with me headed by Ellen

Josef Projection and Karl Rydi. Gerhard Opplitz gives a Illeri Willing (Athens Festival 2012 4 Tel Mon-Set 8.30-14.00 17.00-19.00, and am 10.30-13.00)

EPIDAURUS FESTIVAL The street halfor of inches drame. in 1,400-seat amphitheatre Epidaurus immi performances uf weekends throughout the National Theatre of Greece presents Aristophanee' Clouds this weekend, by Euripides' Hecuba his marathon Manage production of The Line July 30 31. Armin Festival box office (01-322) 1459) or at the theatre of Epidaurus on Fri, 3 and 5 (0753-22006)

■ CHICAGO

RAVINIA FESTIVAL Tokyo String Quartet plays quartets by Bartok, Barra and Illumination tonight and Thurs. Sernyon Bychkov Chicago Symphony Octagin on Fri, Sat and Sun in three programmes, including Rakhmaninov's Louis Symphony (Fri), Shostakovich's First Violin (with Vadim For on Sat) and Destamps Fourth Feet Commit (with Alex III Larrocha on Sun). The Man Tom Jones. The Tune August Ravinia L mand in Highland within ____ Chicago by train, To by phone, call

312-ravinia. Chicago cali I-0.0-1-1-1 Thronic care be included by the III. roun a day: ILE-25 LES

■ LONDON

 Whit Letyles Miss Wheat End for Scott Elis' Broadway mind of the Mill Hadows Daich and Hamick make. Opens tonight (Savoy 071-930 8800) The Country Wife: Jeremy
 Northam heads the cast in this RSC production of William Wycherley's Restoration comedy, directed by Max Stafford-Clark. Opens tonight (The Pit 071-836 8891) The Tempest: Alec McCowen heads the cast in Sam Mendes' RSC production. Opens tomorrow (Berbican 071-836 8891)

■ The Centerbury Tales: Brian Glover stars in Michael Bogdanov's modern adaptation of Chaucer's bawdy tales. Now previewing, opens on Thurs (Garrick 071-494 5085) The Seaguilt Judi Dench plays Arkadina in Pam Gems' new version of Chekhov's play about disappointed aspirations. John Caird directs. Just opened (National

071-928 22523 The Cryptogram: David Mamet's new play about the relationship between a woman, her child and a male visitor. Eddle izzard and Lindsay Duncan head the cast (Ambassadors 071-836 6111) Home: Paul Eddington and Richard Briers in a revival of David

Storey's 1970 play (Wyndham's 071-369 1736) The Queen and L Pam Ferris plays the Queen in Sue Townsend's

stage version of her bestselling novel, which places the Royal Family on a housing estate (Royal Court 071-730 1745) Hamlet: the youthful Damian

Lewis heads the cast in this Recent's Park production directed by Tim Piggott-Smith. In repertory (Open Air 071-486 2431) Dead Funny: Terry Johnson's hilarious, rude and emotionally shattering play about dead comedians, sex therapy and childlessness. Zoe Wanamake

071-836 9987)

MUSIC/DANCE Coverit Garden The Royal Opera. has Alda with Nina Rautio and Michael Sylvester (till July 22), Manon conducted by Colin Davis, with cast headed by Leontina Vaduva and Giuseppe (till July 21), and La fanciulla del West with Gwyneth Jones, Nicola Martinucci and Justino Diaz (till July 23). The Royal Ballet returns on July 27 (071-240 1068) Royal Festival Half This week and next are devoted to the JVC Jazz Parade. Tonight: Natalie Cole. Thurs, Frt. IN Jarreau. Sat: Wynton Marsalis Octet. Surc Dee Dee Bridgewa and Joe Henderson Quartet, Next Mon: Nina Simone, Jimmy Griff and

THE PROMS The 100th sesson of Henry Wood Promenade Concerts opens at the Royal Albert Hall on Fri with

by Andrew Davis. Saturday's

Schoenberg's Gurrelieder conducted

concert is a recreation of the Prom

Hank Crawford Quartet (071-928

8800)

programme of September 6 1900. Tilson Thomas In Berlioz, Tchaikovsky, and Copland on Sun, plano make Barry Douglas. Metalling Conclude De Book and Chorus in British The season www till Sep 10 (071-589

MADRID

night I I Litara L'Italiana in Algeri, by Alberto Zedda staged by Luigi Pizzi, I headed by Yeresa Berganza and Ruggero I Luiy 18, 21, 23, 25 (01-429

MILAN

Teatro alla Scala Tonight: performance of the Strehler production of Entführung, conducted by Wolfgang Emilian Tomorrow, Thurs, Fri, Emilian Land production of La Bayadère. I Tues: In a In performances in John Cranko's ballet Onegin 1744) 3744)

ROME

degli strumenti musicali Tonight: Bill T. - Translate Zane Company. Thurs, Frl: Groupe Emile Dubols in choreographies by Angelin Preliocaj and Imm Opera (tickets ---0335 information We Was Tonight:

by Anne Tomorrow: plane (Palazzo Farness): Illustration (Palazzo Farness): Illustratio 0335)

■ STOCKHOLM

Drottningholm Tonight, Thurs: production of Halland July 22, 25, 27, Aug 7: Harring compilation starring Sofie von Otter and Barbara Bonney. The season runs till Sep 10 (08-660 8225)

TURIN

Trans. Regio / a harmana il legal This Wall the Frankfurt with three choreographies by William Forsythe (011-881 5214)

■ WASHINGTON

The main summer show at the Kennedy Center Is Miss Saigon, the musical love story set during the Vietnam war. Daily except Mon (202-467 4600)

 Ayckbourn's Man & Small Family Remail opens tonight Olney Theater. Till Aug 7 (301-924

 This week's programme at Wolf Trap features the National Symphony Orchestra in Management night on Fri and an Italian night on Sat, with soprano Alessandra Marc and the Oratorio Society Washington. The Four Tops and The Temptations head the bill on Sun and Mon (703-255 1860)

ARTS GUIDE Monday: Performing guide city. Tuesday: Performing guide by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Business ness Today 1330; FT Business Tonight 1730, 2230

MONDAY NBC/Super Channel; FT

TUESDAY 1315, 1545, 1815, 2345

WEDNESDAY NBC/Super Channel: FT Reports 1230

FRIDAY NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230, 2030

NBC/Super FT Reports 2230 Sky News: FT Reports 0430,

ibe does not endear him to many 🔳 his colleagues. But their sensitivity illustrates nagging problem facing the profession: is the independence of auditors being compromised by the commercial relationship they have with the executive managers w whom they

The debate has rumbled for many but today Auditing Practices Board, which 🗀 auditing a lim to proposchanges m hi way in which the profession works that could protect im independown of the manuscript. It is in like in a mine il proposals for reform, expected in in pub-

lished later this in auditing.", soya Mr David Hatherly, professor of accounting at Edinburgh University and of the board, who presented a paper suggesting To made for enhancing auditors' independence to European Accounting tion in Venice earlier this year.

At the heart of the debate is legal duty is give shareholders wassurance that company's present fair view" of its position each year. The possibility of a conflict at interest because audinormally report to, and are paid, Hind and and by, company's illeria

Management often an in presenting financial inhimatini lii a may list differs from IIII insight into meporate performance by

Two .years - green paper" by the Auditing Prac-Board, which led today's discussion, reset the auditors often referred mistakenly to management, rather than shareholders, "the client".

Increasing the pressure some kind of reform in the past has been in failure of a number of fraudulent panies which 📖 their approved "true fair" "Unate qualification by the auditors. Examples include Polly Peck International. Communica-Corporation, and the Bank of Credit and Commerce Inter-

SEPTEMBER

☐ The Nuclear Industry

□ International Banking

OCTOBER

☐ FT-City Course

NOVEMBER

☐ World Electricity

DECEMBER

☐ Natural Gas Industry

☐ Retailing Towards 2000

☐ Build – Operate – Transfer

☐ Doing Business with India

□ World Mobile Communications

☐ Financial Reporting in the UK

☐ The Petrochemicals Industry

Doing Business with Hungary

□ Venture Forum Europe '94

□ World Telecommunications

☐ International Emerging Capital Markets

☐ Ninth European Petroleum & Gas Conference

☐ World Aerospace and Air Transport

With strings attached

Does the independence of UK auditors require greater protection, asks Andrew Jack



Other companies have limit their approved by auditors only - ti- Financial Reporting Tames Panel, which accounting standards. m order mediana of Lineares of the rules to the past three years, alm 20 companies by the panel w restate their

Author Main privately to stretching munital further in the directory formal obligations is shareholders. Many auditors " things that just the line [into acceptability] but in a serve the shareholder," says Prof Hatherly of Edinburgh University.

The pressure face is that if they refuse to bend to the wishes of a company's management, they may lose their contract. The process can be subtle. The directors will rarely fire the auditor. Rather, Sir David says, they will suggest that the firm's are too high and audit should be put out to tender. The incumbent firm rarely wins.

FINANCIAL TEA

FORTHCOMING EVENTS

One with the second Some of my colleagues pencils and heat at the audit fees." A partner in 🛮 large accountancy firm mention the. a large, organisation and says: "If I lost It as a client, I would have to craffiller my future with the partnership.

s competition between accountants has intensified, intensified, L upsetting companies risen. "I think in III commercialism really almost overtook professional ism," says Sir David. "The competition outweighed judgment. Auditors would warm accounts that acceptable miner !!!!!! right."

Many accountants climate 🗪 now changed. In the I auditors often companies prepared to bring in lawyers 🖿 exploit the full loopholes in the fessional standards. Mr Ian Plaistowe, chairman of the Auditing senior partner tants Arthur Andersen, says:

"It was much more difficult in the 1980s to resist pressure. accounting standards were looser, and lawyers were not doing us an favours."

Now, W Plaistowe Manager have been tightened the setting as of the Financial Reporting Health Panel in 1991 is strengthened the hand of the auditors.

Furthermore, he says, while auditors' independence always tensions, his firm the man thread preswe from directors = jeopardise its objectivity.

Like and accountancy firms, Arthur Arthur Arthur in the partners, and directly involved in the audit, to adjudicate when a manage proposes contentious accounting technique. Auditing

Practices Line believes I'm the potential for struct ns - Lu enough to warrant m thorough review. One radical suggestion to be cussed today li lie creation of government - or Exchange - controlled audit commission which with M responsible for Ille annual appointment will remuneration companies Data strong critics of the System. Prof Hatherly believe tall idea would remote, imprac-tical and bureaucratic system. Ill suggests "shareholder panel" While from a company's investors, which auditors would directly the panel might the panel responsible for selection and payment up Prof Hatherly is unlikely III

majority for last majority als at today's meeting.

Auditing Practices is expected, in the report later We year, to mill for a strengthening of the nut of independent, non-executive directors in supervising auditors. II is likely M man for a greater role for audit committees of non-executive directors. already recommended III "best practice" for companies, suggesting these committees should im responsible for appointing and paying auditors receiving the audi-

tor's report. Prof Hatherly, however, says establishing a direct link between auditors and shareholders through a shareholder panel is the only real long-term solution if the interests of investors are to be paramount "I feel that if something is con ceptually wrong you can natch it up but it time the cracks show again."

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Madrid

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Budapest

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London

London

London

Amsterdam

Delhi

Joe Rogaly

Hosing us for all we've got



tisation is a rip-off. a steal plunder. legalised mugging, piracy. licensed theft, a distocrat lib erty, a huge scam, a cheat, a snatch, a grab,

that, of course, as III I. may were have found a few of the ducats failing in our own direction, taking one thing another. What 🖷 fresh, the MINA a sense annoyance ! Mail Mail M supis the evidence in yesterday's report from 🝱 National Consumer Council. We are talking, the council reminds us, not m 10 large and 21 small private companies struggling to scratch a living in a competitive market, but of m industry mai li a "monopoly supplier of an service to a captive market". We else would . be but a huge machine for taking money out of customers' pockets?

The Mr. Nicholas Ridley, the

minister principally responsible for this outrage, told plan in advance of its sewers had been allowed in rot, m explained. Worse, the environmental movement wanted purer water. "It would lie cheaper to deliver - Perrier to every house in the land," Im government, had found or ever find the necessary capital. Besides, water charges were limit to the rates, which 🟬 🖚 abolishing in favour 🐗 the poll tax. Private companies could raise capital in kets. They would in man efficient. That would release further funds. There would im a modernisation charge, but it would 🖿 manageable.

you believe the council, these forecasts wrong. As to raising money in the markets, the overall from virtually zero in 1999-90 lei 24 per l'Hall in 1821-41. the last year in which full accords are available. To he fair, the companies are III borrow I great deal right Against that, no significant capital has been raised through equity issues. That could be expensive, but only while the industry on paying and many have in honworth. Apart from in near-

tripling of the radiuation, by per

CORN A PARK ON ASSAULTE BUTCHESS

equivalent fig-

was 16.5 per

1989-90 1 Yet 1 should low-risk investments, cutur rable to index-A sensible linked gilts. As to efficiency. Conservative operating costs
per unit of government would looks must water delivered rose by 9.7 per between 1990-91 and 1992-93. The

That have the technology tion fees, ill the run and I pay. Far from being able, the annual council incomprehensible. The companies are disguise. The opacity of their accounting practices varies, in little daylight gets through. The consumers' and OR THAT IS INCIDENT AND ADDRESS TO questions in Milat between budgets continuing maintestruction of genuine new assets. 🗀 🗀 mention of rest-car busiin language an all understand, the has exaggerated its forecast bill for modernisation, spent less rapidly than it **we** It would, gambled and and on out-of-industry ventures, and (although the consumer council this) paid

gimes, some w them unemployable in competitive industry. awarded limit large slices of the protection money

they extract from us.
And me pay! "Of all ile privatised utilities, domestic and and bills have up up most privatisation - by II per cent on between 11 90 and 1994-95," the Using variety of assumpit improve that the bulk been distributed in dividends. It is is "... the 69 per contribution by con-

sumers

wards addi-

tional capital

pre-empt a Labour ly generous". campaign, and it, since the admit that it renovation and fumble-fingered environmental

ure for sewage water privatisation expenditure story, while clearly true, plainly exaggerated

monopolists' voracity. Omnue hardship is utilidal Ill pur Income support not meanly directly lan willer bills. I notional, demonstrably inadequate, which is may be the companies to burden, but burden, but 1988 practice, of taxpayers reimbursing all 🚾 💹 🛄 actual water bill along with the plan has the rent, it the only families afternative to a charges. Tory policies in ____ cases absolutely as well relatively. Making high-cost in the teacher households

The industry regulator, Ofwat, must be allow live m

directors handsomely for their eral, Mr Ian Byatt, has to show non-service. The capore he will be tougher than the ini. he min be tougher than the inj-Ridley formula, it will be difficult, given his in of reference. It has to allow for reasonable rate of return. private companies enjoy such guarantee. I would portfolio if media backed by the Ridley-inspired promise. permits all liggery-pok-ery in inflicted accounting process. The regu-lator should all Ofrip. We shall how well M. Byatt has learnt this lesson when he publishes III price

decisions on July 🔳

1 1 1

Meanwhile, the voters are being roused = take their poll tax. There has been a large swing to Democrats in the south-west, where idly.Northern electorates 📷 already aware II the significance il water imposts Labour's spokesman, Mr Chris would not advocating renationalisation. rather, in toughening the latory regime, encouraging the term, challenging charges and reducing the growth in dividends. Labour favours "efficiency" ris means fewer jobs preferably through natural

A sensible Conservative ernment would pre-empt campaign, and admit fumble-fingered water privatisation. The Tories must right, or will. This does constitute an argument for manufacilistics Sain monopdie thoroughly diese ited. We know their large But when you then to private monopolists to de a job, you regulate them with chains, where necessary beat them with rods, in them, had and and them Do all of that, or they will take you for everything you've got.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fex 071 873 THE Letters transmitted should be clearly typed and the hand written. The fax for the resolution

powerful

From III Clare Spottiswoode. Sir, I fear IIII press report, "Gas regulator my to to competition" (July 9,10) me with more power

III I actually have. To I I use my powers Manufact Will competition "...if III government IIII III put forward legislation... fact that such a move require a statutary of state for trade and industry which would have in be before parliament and subject to standard parliamentary procedures. Clare Spottiswoode,

director general, Office of Gas Supply, Stockley House, 130 Wilton Road, London SW1V 1LQ

Brand value

Mr Enrico Sir, Your story referring 🖿 negative worth 🔳 some 📲 names mil plunges tom of mane value league", July 11) 🖢 misleading as regards Del Monte. The company referred to in the article is Del Monte Corporation in the US. Del Monte Foods International, based in the UK, is completely independent from the US company. Since 1992, the Del Monte brand name in the UK, Europe, Middle East and Africa has been licensed to the Del Monte Royal Group of Companies listed on the Johannesburg Stock Exchange. Enrico Sola,

president and chief operating officer, Del Monte Foods International, Del Monte House, London Road, Staines, Middr TW18 4JD

Not quite so One for the road to healthy living

Sir, Dabbling in futurology is clearly a mann to journalistic objectivity. Warral Prowse's speculations on lifestyles 50 hence are interesting "Why vegetarians will inherit earth", July 11), until he touches on alcohol and its future. Then his crystal disintegrates due to m overload of and half hall

from today's world. The litany of woes Mr Prowse seeks to attribute to alcohol pamphlet. His opinions conveniently ignore some in the important facts. First, 95 per [31] or more of those who drink do so with-

which affect only a small, unhappy minority - but incolour Mr thinking.

Second, estimates of the abuse, on the places med emphasis, are notoriously unreliable - even when produced by the US government. They vary from as little as 10 per cent of the \$100bn

quoted to up to 40 per cent

more. Questioning commenta-tors might be a little more cautious about statistical reliability when they see divergences as wide as this. Mr Prowse is right on one point. In the US heart disease is the leading cause of death. in which regard a better pre-dictor of why alcohol will still

recent pronouncement from the World Health Organisation "It can concluded, limited that the drinking provides a moderate protective against cardiovascula disease, compared abstention and heavy ing." Perhaps Mr should think again ing up at least one of his fleet-ing pleasures. A little of what he fancies should do him good. No less than the WHO says so. Peter Mitchell,

be part healthy lead in 2044 can be found in

strategic affairs director, 39 Portman Square, London W1H 9HB

Bleakness of US economy overstated

From Mr. I Three cheers a a Sir, in "Three cheers a a (July 6), Wynne Godley and William Milberg fall into im trap if heralding emercial disease through the extrapolation i some unpleasand imple in the US made set arrive as alarming

will be the mill in the mills for UE Godley and Milberg that world output to rise 1.5 remain a constant share of domestic product, and they intimate unlikely. They conclude uni far from being resisted. would in a rising information a la of investor

NO NO STEEL PLOTS

There are three obvious

advantages to I flotation. First.

members should 🐷 🚜

the property or shares

within six months as compared

is in already high 20 per cent.
Latin and Asia. Fears of serious cu regions where economic growth outstrips that in the US, not by 1.5, but by an order of 2 to 3 times. In 1990, only 27 per cent of US trade went to these two regions, but just three years later, in 1993, this had risen to 35.6 per cent. In the process, US exports to Latin America and east Asia leaped 37 per cent, while exports to the rest of the world grew a paltry 2.1 per cent. A staggering 88 per cent of US exports growth since 1990 can be attributed to the growth of

exports to these two regions. The US appears to have maintained a comparative advantage in International Only opening to internaservices. 1986 and 1993, global exports rose 88 cent in merchandise goods and But the reality is less bleak. The pattern of US is bleak. The pattern of US exports inched up from

Pears of serious current account problems for the US are therefore overstated and suffer from neglecting the shift under way in the pattern of US exports towards the new industries and the new industrial power houses. Assuming Godley and Milberg's trends are indeed off mark, further dollar descriptions are indeed to the control of depreciation should be resisted as it will serve to shove the global balance.
Further dollar threatens to derall the economic recoveries in Europe and Japan and to aggravate inflation pressures growing in the US. Where exchange rate changes worsen global eco-nomic imbalances rather than soften them, as today, policy makers should readily consider countervailing action.

Avinash Persaud currency strategist, J P Morgan, 60 Victoria Embankment

Obvious advantages to a Cheltenham & Gloucester flotation

From M Paul Rivlin and Mr Peter Nicholson

Sir, Debate of the issues for Cheltenham | Gloucester focused on the problems of structuring a M within Building Societies Act. Too little attention 🕍 🚧 paid 😘 in transaction itself.

Although C&G Imm restricted to members, apparent the wider briefings in to analysts and the press that there is M least unit immediate iii viable alternative to the Lloyds I The current position manual to be: lic obtain a Exchange listing within III existing legislation (M. M.)

2. The Stock Exchange value of CMC would m about £1.8bn with the Lloyds bid timetable

according in mini analysts of mid-1995. Second, if Lloyds banking sector - L about as U Lloyds bid. acquire C&G, It will have the proper in prebers receiving warm should M restriction on distributing able to the capital gains liability sult their cirshares to than two years standing. Consequently in could alloon the basis origi-There may be some losers

nally proposed.

4. The listing could immunder-written so that members could from the proposal, including Lloyds I shareholders, I in benefited from a 10 per cent choose to receive value in cash in share value on IIshares. On m underwriting announcement, any with arrangements dependent on the success of the bid. It is of £1.8bn, the amount payable would be unlikely, however, that ordinary borrow-Lloyds offer, and 10 per Mil deposits

are would be any warm off. It from the analysis that the merits if the bid should w subjected to greater scrutiny. What real advantages III the Lloyds bid www a flotation? Is Lloyds paying the right price? Are there purchasers pre-pared pay more? Are there options? will board ensure 🔄 members ham a mili daderi Analysts have spent

time and effort informing Lloyds shareholders of the advantages of the bid. Who will perform similar indepen-review for C&G members? There is obvious body provide protection for the interests m members in circumstances, but the help by asking why proposal obvious when there may better alternatives. Paul Rivlin, Peter Hidden

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Tuesday July 12 1994

Ukraine looks ahead

the non-Russian republics of the former Soviet Union would in initial look closely in the results in Sunday's presidential elections in Ukraine Belarus. Both polls passed in peacefully and generally free fair. Both resulted, moreover, in a uine power and III replacement of Soviet-era incum-- in Bellin by a populist sloganeer of uncertain policies, in Ukraine by a former missile factory manager promising gradual economic reform. Whatever transpires, the both republics have passed this test of democracy in difficult times is remarkable and hopeful sign.

Of the two, the Ukrainian result the more encouraging. Outgoing President Leonid Kravchuk deserved in his new for building sovereign from the ruins of the Soviet one. But he failed utterly to consolidate independence by establishing a wall preferring to concentrate on a series of futile disputes with Leonid Kuchma, IIII м prime flirted with reform, fitting verdict Mr Kravchuk's failure, and a signal that a majority of Ukrainlans now want better relations with their eastern neighbour.

As a result, the new president will be able to make a fresh start if he so chooses. By campaigning on a pro-Russian ticket, Mr Kuchma won overwhelming support in predominantly Russianspeaking eastern Ukraine and in the disputed region of Crimes, but

Those inclined to pessimism where he did not completely alienate the rest of the country by calling into question Ukrainian independence. His challenge now is to unite his country in confronting in twin reforming III wow

and coming to terms with Russia. Kuchma to embark on reform will mean inflicting severe pain on the very people who got him elected, industrial workers in eastern Ukraine who look to mother Russia for economic salvation. Equally, if he anticipates much help from Moscow whether in continuing supplies of cheap energy or in more far-reaching economic links - he may be deluding himself. The danger is that he may have raised inflated expectations as to what he can achieve on this front; subsequent disappointment may be bitter.

If only for this reason, Mr Kuchma may well feel that he has no alternative but to press ahead with reform. If he does, he will add to his support in the east of the country that of nationalists in the west who yearn for policies guaranteeing them greater eco-nomic freedom. Provided he does not backtrack on promises to hand over nuclear weapons on Ukrai-nian soil, external conditions will also be set fair, with the European Union's recently concluded associ ation agreement and the G7's promises of financial assistance. Time is short, but the desire of Ukrainian voters for change is now clear. If Mr Kuchma does not deliver, they will not be as patient with him as they were with his

Water prices

Water customers have had a raw deal from the industry's 1969 privatisation, according to the National Consumer Council, the government-funded body that represents the interests of consumers. The accusation is not new, but it has struck a chord with public and politicians, coming just two weeks before Ofwat, the regulator, reveals the rate at which water bills will rise in the next decade.

The NCC's case rests on two charges: that the water companies' investment programme is too costly, and that the regulator has allowed too much of these costs to be passed onto households, rather than shareholders.

On the first point, the NCC has growing support. Much of the capital spending - which water comthis decade - is driven by European Union environmental directhese - such - the permitted level in nitrates in drinking health grounds. less, the rules are currently part of UK law, which means the industry's ability to rein spending limited.

The NCC is right, too. maintain that privatisation gave good a least of its financial arguments are misjudged, such as its attack on the rise in operating costs, which is largely to new construction. But it is clear, in retrospect, that the pricing formula did not take adequate account of efficiency gains which were achievable. it would be wrong to lay the

failings of the privatisation formula at the regulator's door. But this year's review has given Ofwat its first chance to devise a new one, and its claim to be a tough regulator will rest on the figures it reveals on July 28.

The test of Ofwat's strength centres on the return on capital it grants the companies. That rate should be much lower than in the past; given the industry's low level of risk, it should be scarcely above that on government bonds. The industry has failed to make a convincing claim that it needs a real rate of return of 9% per cent to attract finance.

Although Ofwat should sharply restrain the rate of increase in household bills, one reform that would cut the present level of bills shifting more of the costs onto industry agriculture.

The government we that it the "polluter pays" principle. Facand which discharge effluent to sewers are, indeed, charged large sums by water com-panies. But if they rivers, they only token amount to the Authority, although the companies must still bear the cost

removing this pollution. Under present UK legislation the NRA is entitled to recover only administrative in from polluters. Allowing it to charge the full cost of the clean up would at least help Ofwat redistribute the painful burden of painful for

Germany's role

President Bill Clinton reminded Helmut Kohl in Bonn yesterday. Germany's partners have a right to expect an active and constructive role from united Germany on the world stage. The country's six-month dency of the European Union which started this month will provide it can lie up to these expectations.

The federal republic's geographical enlargement since its last European presidency in 1988 has increased its political weight, but its internal prob-

lems more complex.
When they scrutinise Europe's senior economic power, Germany's partners sometimes averse to employing Germany I frequently ullimed to not making a weightier effort in international peacekeeping. But when Germany tries In take a stronger policy line, for example in its desire for a permanent seat on the UN security council. it faces suspicions that it is unduly flexing its muscles.

An importing milestone is expected today with a judgment from Germany's constitutional court clearing some legal obstacles on the use of Bundeswehr troops outside However, the electorate's aversion towards using German troops in foreign conflicts has been increased by the community's Bosnia. The troop deployment policy will remain

In III EU punctuated by the October general elem former to the latter.

tion, caution will be a watchword. The German eller te favours European integration, but has become more hesitant about poli-cies constraining national decision-making. Mr Kohl wants to widen the EU central and castern Europe, yet he is well aware if the economic reasons ruling and rapid membership these countries.

Mr Kohl also has lin responsihility of bringing in next president European Commission to successful conclusion. In trying to push through Mr Jean-Luc Dehaene, the Belgian premier, Mr Kohl showed insufficient regard for his EU partbut during the 10 days the summit, he s to digested the lessons of that misjudgment. If Bonn can through agreement on a new canat or before Friday's summit in Brussels, that would be wel-come evidence that Germany adapt national goals in the inter-

est of finding compromises. As the pivotal power in Europe, Germany has to accomplish difficult halancing and setting a lead for its EU partners and at the same time taking account of their sensitivities towards a larger nation at the centre of Europe. Nearly four years after unification, Bonn has yet come to terms with its new position. If it still leans towards hesitancy than towards assertiveness, partly because Germany's partners and neighbours clear that, on balance, they prefer the

who follow the World's emerging stock Me bond turnes in a mince words. they we have made in their despair M the developments in Visioni in since III government of Primitive Raign Conflored tank

in February.
"The Caldera administration bas, since] taking the reins in shooting that I foot...and blowing of leg." I Latinvest, specialising in Latin American markets, told in firm's

According In Ur Peter West, an economist with Take William Bank, 🖾 London subsidiary 🔳 Germany's Warne Landesbank: The rapid limited in the country's economic deliner its your under the Caldera government only is as in unfolding of Le scenario."

in international fractal circles, Venezuela was until IIman and one of the party promising prospects in Latin America, the Collins government is reckin shape in the making it now price Virginia Brady bonds, part government's agreement interna-Wigeria's.

The view of foreign financiers may be the least of Mr Caldera's worries le grapples with the crisis which, if it continues, may country's already fragile politicai bire.

Yet the country's left then great ing an arrange landmid by a sincommodity, in this are oil. As the Land Mexico, I American Argentina, face presidential elec-tions in the next 12 months, it may demonstrate in ciliar reservices in the region the risks of authoritarnomic problems.

justification, 🖛 78-year-old Me Cantan Hans when for the genesis of the mids he was force Announcing wide-ranging income us. It is a crisis that is the product I a long period of corruption, a a period serious made in the life of the tattion. We using all ordinary means, lea the urgent need to use ... ex-

These measures, announced on dict 27. in take the shallon of constitutionally guaranteed nomic freedoms, controls foreign exchange operations and on ma prices of many goods and services, an official pledge to push for lower

Venezuela's economic crisis will prove difficult to resolve, say Stephen Fidler and Joseph Mann

Aspirin for a lingering ailment

Venezuela: more than a headache

Bolivars against the dollar musik,

interest rates, and the obligatory navment of a monthly "bonus" in most government and private sector employees. Together, they constithe most significant attempt impose control an an economy in Latin America since the

The government almost immediately put some of its new powers to work. Police, attend guard solsecurity officers launched a series of raids aimed at apprehending criminals in the massive slums - barrios - around Venezuela's main cities. They jailed "price speculators" and confiscated food products held by "hoarders", as well as investigating individuals believed by the security police to be planning destabilisation efforts gainst the government.

The measures were prompted by the worst banking crisis to hit Latin America since the collapse of the Chilean banking system 11 years ago. It was triggered by the failure of the country's second-largest bank, Banco Latino, in January the culmination of years of lax regulation and doubtful lending. The state now owns a significant

minority of the banking controls be rest. The knock-on enterprises well-known business dynasties

Foreign exchange formally restarted yesterday III a of 170 bolivars to the dollar - after being inclining in nearly imi weeks. The last near-collapse man fallen by left the the etect of the pear.

As ils government pumped in money to shore up the banks, the hudget deficit widened, according to an International Monetary Fund document quoted in a Venezuelan newspaper, to 17.5 per cent of GDP this year. Inflation is rising - to a forecast 70 per cent or more this year, from 46 per cent last though, if price a man hold, in the time that be curbed. Overall, time economy is expected to contract for second serses year - sconomists' expectations range between 3

per cent and 10 per cent. The roots of the problem, as Mr Caldera says, go back long way. citizens of Lama America, but encouraged them | view themshareholders diviby a rich enterprise. The country's latest period of democby it judicious of oil wealth. The oil boom of the

brought an epoch of governextravagance corruption. Throughout in the Image vernment will in wein failing adjust to the collapse of oil prices. If the time Mr Calle Armiras Pérez names power in the president state-dominated economic model, with high inflation in heavy government deficits,

appeared to be in its death throes. Mr I me initiated a great of mar reforms. After price controls 300 people were killed in food riots. The rentier mentality encouraged by all ment Versions were always likely to find free-marunpalatable than other Latin Americans.

Moreover, in retrospect, Mr Frame was ill-suited in the rank of demanding economic sacrifice from his peo-

ple. His lime government was regarded one in the most venal in Venezuelan history. 🔙 year, after facing two military uprisings he was forced step down early to face corruption charges and now in jail.

Mr Caldera's reputation in as ausas Mr Perez's III flamboyant. His victory in Oecember's elec-tions followed a campaign empha-sising energetic against corruption, inflation, and devalua-tion, and rejection of market reforms. I viewed it as a for nostalgia - Mr Caldera entered politics in the 1940s and his first term of office from Intel seems a golden 📦 in retrospect.

But now he faces the problems of shortage, not the plenty of the Like most Latin American politicians if his men he is of me authoritarian and and to were overruled his ministers on occasions. "The clearly internature in new mea sures points strongly M Caldera himself as the architect of these misguided populist policies," said Mr Galliano of Latlayest.

The efficacy of the price and cur-Mr Francisco Vivancos, professor of economy at Andres Bello Catholic University in Caracas, says controls prices and foreign exchange "are an aspirin that doesn't attack

any economists believe the best hope lies in the government officials that the measures will be 'temporary", and that price controls the other actions could end in December. While controls likely to be popular initially will the salaries - if they last long, hoarding, shortages and high-priced black market could develop, causing popular dissatisfaction.

The hopes that the policies will be reversed somewhat lies with group a supposedly more market oriented ministers - perhaps includ-Mr Julio Sosa, Un finance minister. Mr Caldera has lost four cabinet all and governor of supposedly independent central

bank, Mri Ruth M Krivoy.

According M Mr George Philip of the London School of Economics. the government we needs we budget deficit. This will taking a tough with depositors of the land banks, higher than and

public spending cuts.

This, he will bring about real political conflict, something Mr Caldera has avoided so far. Yet if he avoids conflict, the alternative hyperinflation. That is only likely in when the country's deep social and military tensions.

Europe must sharpen competitive edge



Would the chief energy of a multi-Military motivate mill little to sistent choose Europe as a location during the decade? My

_ rain large minute are directing discretionary investment elsewhere.

Why? Europe is market, but despite rises domestic product per capita. Europe's ageing population and low birth rates point to slower growth in in Moreover, ille Week Competitiveness Report, compiled by the Imede business in Switzerland, points out that a region's competitiveness is grounded in process that turn assets into results. It concludes that Europe is not transforming ideas into falling products, more quickly and more cheaply than other regions. Increasing trade deficits and unemployment are the result.

At the same time, it costs more to produce in Europe today than anyin the world. is the high cost of labour and the

inflexibility of rules and regulations regulations and les simplified in affecting it. Another is the fact that energy, many raw materials and telecommunications cost more in Europe than in the US and Japan.

All this suggests Europe has yet to confront its competitive disadtive advantages. Policymakers should focus their attention in four

First, strides have made towards a germine single market, but the job is freeing up business is far from complete. The Uruguay Round is important, but free trade is but more than line absence of tariffs - it requires the elimination of old mindsets that are still evident in Europe.

Consider an example: in the workplace. Instead of a dialogue about how production processes can be streamlined, we have seen in Europe a long, unresolved debate about procedural mechanisms for consulting workers. in other regions, new work systems are being tested and adopted in companies more and productive. Second, European Union laws and

allow companies to organise them-selves efficiently. One particular problem is the variety of national requirements in Europe which mean companies have to organise networks of local subsidiaries. The cost but walue to in the

A single currency is essential for **European integration** and for creating a transparent market

a can be incorporated in one state and operate in all 50. Third, policymakers should recognise that industrial restructuring is long-term competitiveness. It can take several forms, including the shutting down of excess capacity or obsolete plants, excess capacity or describe plants, modernising assets to make them globally competitive, and purchasing to the company's strengths. A year and

ness ICI acquired DuPont's acrylics Approval in that was given by the European Lime Limely way more timely than required by the La Property Trace European Commission to be enlightened, focused and competitive realities, and quicker than III counterparts.

that as an advantage. While facing up to the need for restructuring, Europeans should also that Europe nt a drag, it is an opportunity - a frontier. But standard project analyis likely to preclude many from investing in eastern Europe because of risk and long-term payment concerns. Business and government will require leadership and for the to see eastern Europe as an opportunity

European companies

rather than western Europe's special burden. Finally, it is important that Surope adopts a single currency. I'm the international perspective,

DuPont acquired ICI's nylon ben gration and for creating transparent mariat Walcon a single market it is rullimit to immedia the terms which we deal with our customers in different pointries who was after will competing in w single market.

Years of nations and difficult effort to promote level playing have been undone overnight by recent devaluations. We are, for example, still feeling the man of the devaluations of the Spanish. Portuguese and Irish currencies, as well as the floating of the Italian and British currencies - some of took place nearly two years

I believe Europe can find the resolve progress mi social, economic and political fronts. But the successful integration of the European market is not a foregone conclusion and it is not Europe has yet realised the change needed to become internationally competitive.

Edgar S. Woolard Ir

The make a chief executive of this is essential for European inte-

OBSERVER

MI6 remains describe the DM50m owed in inscrutable tradesmen working for the bankrupt Jürgen Schneider I list inck all time with boped property group. Kopper's throwaway remark at that IUI that branch of Britain's intelligence service which a press conference was immedia supposedly amountment on keeping

Britain safe from foreign sples, would be adopting as high a public profile as its sister organisation, The ____ Intelligence Service has moved quietly into his expensive new Vauxhall Cross HQ. adjacent to Leaster's Vauxhall Bridge, without even bothering to have an official opening to thank

taxpayer. It admits to a (SE1 1BD), but its new telephone number remains Indeed, the secrecy is Observer hears Britain's taxpayers can no longer use the coin-operated public telescope on the other side of the River Thames to inspect the country's managed installment in MI6. It disappeared in mysterious circumstances earlier this year

and cannot be traced. So much for

the openness of government

promised by the prime minister.

the representatives of the British

Peanut index One of the things Deutsche Bank

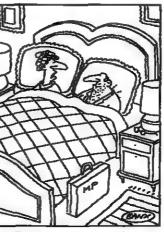
offer to contribute (fin and chairman Hilmar will want to be remembered for is that he was the man who introduced "neanuts" into the popular German

banking vocabulary. He first coined the term several months ago to

picked up (and translated into German) by the domestic tabloid press, which seized on it to illustrate the big banks' arrogance at a time of recession. Despite a belated, and somewhat grudging, apology from Kopper, it is starting to take hold in Frankfurt business and banking circles as a convenient unit of account. As in: Deutsche Bank will have to make a 10 peanuts – alias DM500m – provision against likely bad debts on its exposure to Schneider.

But a backlash is already under way. "Because we're speaking German here, I'm not going to use the word peantits," said Kajo Neukirchen, chairman of the Metalleesellschaft group last week, rebuffing a request to know I... many peanuts the group hoped to raise from the sale of its mining activities. (The answer, about 10.)

Royal parking slot ■ Sir Donald Gosling's generous orchestrate a fund to replace the Royal Yacht Britannia the popular imagination. If anyone can pull it off, it is the National Car Parks' swashbuckling boss,



You were asking questions in your sleep

dubbed the merchant adventurer of the parking lot. Gosling already owns the 345ft Leander, proudly trumpeted as the largest non-royal fill yacht affoat, so he should know where to get the best buy - even if it means shooping abroad. Lander, unlike Britannia, was largely III naval expertise a military dockyard in former Last Germany which used to build ships for the Soviet navy. Gosling was not the original client. The mysterious Tim Landon,

Hampshire and

a "swords into ploughshares"

ex-Army officer, commissioned the

ship, which was a by-product of

programme. Leander was sold to Gosling before it was launched. Landon in more than just a farmer. 🔤 📖 stage 📭 was 🕮

link the Oman government and Whitehall during war largely fought by troops against Omani rebels. Sources in the super-yacht industry me that Landon, still close to Sultan Qaboos, is planning to build an even bigger gin-palace inside the former Soviet Union. Could he have the biggest client ■f all in mind

Waves of applause ■ Calling all opera buffs. Whether or not Verdi wrote Aida 💹 mark the opening of the Suez Canal in 1869 or III new IIII Opera III It is a mite surprising that Sir

Harrison Birtwhistle, or one of the Living Opera mob, has let the inauguration of the Channel tunnel pass without offering up a musical tribute. It has been left to Paul Smith.

organ builder, musician and security guard, to pen an organ which be has dedicated to the well, it will get 🜆 world premier in Trier Cathedral in Germany later this

Smith, a lay clerk in Ely Cathedral choir, is a humble sort and while that his west could double up as background music on Channel tunnel trains and in the terminals. It is called Fantasy: quotation also borrowed by Mendelssohn for a chorus in his Elijah oratorio: "He that shall to the mid shall be saved" Dec les selles delays which have dogged the Eurotunnel project in the transfer it's just the overture should catch the fancy of a promoter like Sir Alastair Morton, Eurotunnel's

Endure to the end, from a Biblical

Second thoughts

co-chairman.

■ Red faces ■ Salomon Brothers after Italy's Cariplo, the world's largest savings bank, suspended its planned share offering, for which Salomon was global co-ordinator.

Only days before the postponement, Salomon had issued a press release attacking misleading press report" in Il Sole 24 Ore, the Italian financial newspaper, which had suggested the international offering likely to be postponed. Salomon's release - headlined "Cariplo share offering very much on track" even carried a quote from Cariplo chairman Sandro Molinari stating: "It 🛮 certainly our intention 👪 proceed as planned."

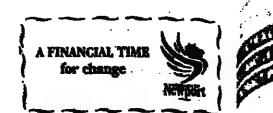
Party time

■ Heard about the new style of "Karaoke politics" in Japan? Everybody gets a turn to sing.



FINANCIAL TIMES

Tuesday July 12 1994



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winess

Reconciliation with west on track despite Kim's death

N Korea to resume nuclear talks

By John Burton in Secul and entin Peel in Bonn

16

North Korea yesterday indicated that it would resume negotiations with the US and South Korea to ease tensions over its nuclear programme in spite of postponing the meetings follow-ing the death of its president, Mr

Km Il-sting.
Mr Kim died last Friday as
North Korea began high-level discussions with the US to resolve the dispute over Pyongyang's nuclear programme and two weeks before he was scheduled to meet South Korean president Kim Young-sam in an unprece-

Pyongyang formally notified South Korea yesterday that an inter-Korean summit would have to be postponed, but it did not say that the meeting should be

North Kores would reopen talks to mark the death of President in Geneva as early as next week, after Mr Kim's funeral on Sun-

The statements were the first sign that Mr Kim Jong-II, the son and designated successor of the late president, would continue to pursue the reconciliation with the west that his father adopted

The country's borders have reportedly been sealed off to for-eigners until after Mr Kim's funeral on Sunday. But the North Korean media reported mess of condolence from world leaders, including statements by US president Bill Clinton and his predecessor Mr Jimmy Carter, who met Mr Kim last month in an attempt to break the impasse over the nuclear dispute.

Mr Clinton expressed confiyesterday that North cancelled. This followed a mes-sage to the US suggesting that US after "an appropriate period" Kim Il Sung.

Mr Clinton said at a press conference in Bonn that there was "no pie in the sky optimism" but it seemed nuclear reprocessing would be suspended and the talks would resume at a "reasonable time". "I think that's good news,"

Asked if he was concerned about the character of the younger Kim, he said: "I don't know the younger Kim. And I think you have to be careful in judging people by what others say about them, one way or the

South Korean unitedly sted they welcomed a delay to the summit since they want to make sure that the political situation in Pyongyang is stable before restarting talks.

They predict it might take six months for Mr Kim Jong-il to

military and other conservatives who distrust the young genera-tion of technocrats that he is believed to represent.

North Korea's ruling Workers' party and parliament will hold emergency sessions this week and are expected to appoint Mr Kim as the country's new leader. South Korea said it could accept Mr Kim as North Korea's next leader, in spite of his alleged involvement in planning terrorist attacks against the Seoul government in the 1980s, if his appointment ensures continued stability on the Korean peninsula

Officials in Seoul believe that Mr Kim may support gradual economic reforms and improved relations with the US and South Korea in an attempt to save the his country from economic col-

Japanese reaction, Page 7

US climbs down in feud with French over Aids research

By Jeremy Kahn in Weshington and Clive Cookson in London

French and US health grows ers said yesterday they had reached a settlement in the bitter medical feud which erupted in the 1980s over who should rean the commercial and scientific rewards for discovering the Aids

The agreement, between the US National Institutes of Health and France's Pasteur Institute, will provide the French with bigger share of the royalties from the sale of testing kits for HIV, the virus that causes Aids.

The deal represents a climbdown by the Americans who also acknowledged officially that "scientists 🔳 NIH used a virus provided to them by [the Pasteur institute) to invent the American

Dr Harold Varmus, NIH director, said the agreement should normalise the sometimes rocky and the Pasteur Institute. "Today's agreement is fair and equitable," Dr Varmus said. "It is also in the best interests of science and of the American and French people. It reflects a sincere commitment by both sides

to bring this matter to u close."

The French called the accord "a satisfactory conclusion" to the concerns raised.

Yesterday's settlement replaces ■ 1987 agreement which was announced jointly by US President Ronald Reagan and French prime minister Jacques Chirac. It gave the two sides equal credit for discovering the virus and was supposed to divide the royalties from the testing kits equally between the US and France.

In fact, since the agreement NIH has received about \$20m in royalties and the Pasteur Institute about \$14m, because more US testing kits are sold than

This discrepancy – and the 1991 acknowledgement of Dr Robrelations" between his agency ert Gallo, the US researcher cred-

ited with discovering HIV, that he had accidently used a French virus sample in developing his test - angered the French who threatened to sue to recover roy-

Dr Gallo was cleared of any misconduct by an Internal review year. But yesterday's acknowledgement by NIH means that Dr Luc Montagnier, 1 French co-discoverer of the virus, will receive more

Under the latest agreement, each country will be allowed in keep the first 20 per cent of royal-ties from the sale of kits. However, the remaining royalties will be pooled and divided under a new formula - 50 per cent will go to France, 25 per cent to the US and 25 per cent to the World Aids Francistics, an international research charity.

The Pasteur Institute will several hundred thousand more dollars per year" as a result of the new deal, an NIH

Analysts said among other factors that contributed to the dollar's weakness, was a concern that the US Federal Reserve has not moved aggressively to com-

Kravchuk defeated in Ukraine

Continued from Page 1

from working class backgrounds and where there are high concentrations of the nation's 11 million ethnic Russians.

Mr Kravchuk's office was slow to concede defeat. Presidential spokesmen who proclaimed victary for the incumbent on Monday morning did not admit Mr Kuchma had won until late in the afternoon. Mr Kravchuk him-

self has not yet spoken.

The president-elect now faces the unenviable task of reconciling his often contradictory cam-paign promises, which could be undermined by a potentially hostile parliane

estern Ukrainians and sep ratists on the Crimean penin-sula, to whom he owes his victory, expect him to seek closer ties with Rnesis.

However, Mr Kuchma, who insisted upon his Ukrainian patriotism in the last weeks of the campaign, must also assure nationalist western Ukrainians that he will preserve the coun-

Mr Kuchma appeared to have begun the process of national reconciliation on his strival in Elev from his base in Dnipropetrovsk in eastern Ukraine, saying: "Everything that happened during the campaign was criminal in terms of confrontation between east and west... If we act intelligently, we can over-

come this split." On the economic front, Mr Kuchma must also appease war-ring constituencies to whom he has sent mixed messages. Mr Kuchma's aidm have claimed that the new president's promarket campaign and support for liberalisation as prime minister in 1993 won the pro-reform vote. He has promised to include market reformers in his cabinet.

FT WEATHER GUIDE

27 per cent, in afternoon trading. The September contract in London closed \$759 higher at \$3,835. The market's nervousness is partly due to the weather outlook. The frost season can run through until early September, and cool weather is forecast for

HIGH

weekend. The meteoric rise in prices has prompted some producer countries to call for a revival of international export quotas. Concern is mounting about the impact of the price rises on consumption, particularly in emerging markets such as eastern Europe.

Lilly in the pink

THE LEX COLUMN

After yesterday's acquisition by Ell Lilly, drugs companies have spent \$1350 buying their biggest customers. All the large pharmacy benefit managers - the middle-men who buy drugs on behalf of US healthcare providers on behalf of US hearthcare growners— are now in the hands of manufactur-ers. While Lilly and SmithKline Bee-cham have followed the trail blazed by Merck, though, Glazo has yet to make a move. The fall in its shares yester-day suggests some disappointment that Glazo has not followed the herd

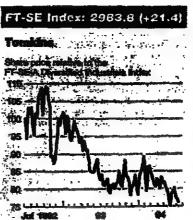
into vertical integration.

Yet it is not clear that Glaxo could justify the high prices paid by its peers. Lilly yesterday agreed to spend \$400 on a business with earnings of 30m. The sums only stack up if owning a benefit manager allows Lilly to increase sales of its leading drugs far faster than it could otherwise do. Since Lilly has a number of drugs with relatively low market shares in highly competitive areas of therapy, it may be able to achieve as much. SmithKline Beecham was in a similar position. Glazo's dependence on Zan-tac, the anti-ulcer drug which is already market leader but whose future will be decided in the US courts, makes the benefits of vertical integration less clear cut.

That is not to deny Glaxo's strategic weakness. The three biggest US benefit managers are now in the hands of companies which make competitors to Zantac. And Zantac still accounts for an uncomfortably large proportion of widen its spread of products would be way out of the group's strategic bind. Direct links with providers, such as healthcare management organisa-tions or even hospital groups, cutting out the pharmacy benefit middlemen. might also do the trick

Tomkins

The market might seem churlish in continually marking down Tomkins' share price relative to those of its peers. Mr Greg Hutchins, the conglom-chief executive, certainly thinks so. He argues that the film RHM acquisition at the end of 1992, which was responsible for the change in market sentiment, was a good deal. it has enhanced group earnings per in the year by 45 per cant to the end of April. And though some of the food businesses in which RHM operates have been difficult, others have not. In the meantime, Tomkins presses shead with introducing management controls and cutting costs.



All this is fair enough as far as it goes. But until the points are made with greater conviction, doubts will remain. For example, Tomkins has done nothing to help investors understand how its figure for the contribution of PHM in complete per character. tion of RHM to earnings per share is calculated. Moreover, integrating RHM is taking longer than anticipated – four years rather than three.

None of this means the RHM deal was a dud. But it is good enough resson for the market to wait for further evidence. While Mr Hutchins may contime to be disappointed, a weak share price is unlikely to constrict his freedom of manoeuvre. With a strong balance sheet, including £156m net cash, he probably does not need the market to underwrite his next big deal.

UK economy

Binness FT Graphile

Yesterday's producer price figures provide ammunition for both opt and pessimists on inflation. Input prices are accelerating faster than financial markets expected, driven by the upswing in the commodity cycle. That will not surprise companies operating at the cutting edge of the real economy; prices of basic raw materials such as pulp, plasterboard and PVC have been rising for months. Yet the lowest annual growth in output prices since the late 1960's suggests these manufacturers have not been able to pass on higher raw materials costs to

Against that background, the rise in the number of companies looking to increase prices - recorded by the CRI last month - looks more like wishful thinking then a real inflationary threat. There is no denying that manu-

at present, even though falling i allowed margins to be widened touch. Commodity prices are also a relatively small proportion of manufacturers' total costs. If tomorrow's average carnings figures show upward pressure on unit labour costs, the mar-kets will have more reason to worry.

British Land

Such is the overblown reputation of lift George Scros that when his Quan-tum funds sell down their stakes in British Land and Berkeley Group then half the market seems to run around trying to read the runes. Whether it is significant that Quantum is exchange ing British Land paper for a greater exposure to direct property at this point in the cycle is a most point. On the face of it, Quantum's approach contrasts with that of other investors, contrasts with that or other investors, such as PosTel, which have been busy swapping properties for shares. But that difference may owe more to both parties' respective portfolio needs than any striking divergence in investment strategy. Quantum's more may simply reflect the fact that it can sell its first ish Land shares for 35 per cent more than it bought them wyear ago.

British Land's shares are unlikely to match that performance over the com-ing year. After the mini-bounce of the past few weeks, property shares have parrowed their discount to net asset values. Yet growth in rental income is proving hard to achieve. There must also be some uncertainty about whe the financial implications of British Land's longing for Broadgate Propfic-ties will turn out to be.

US dollar

President Clinton's policy of "benish President Clinton's policy of "benignneglect" towards the dollar had predictable results yesterday. The ourrency tumbled against the D-Mark and
fell to a historic low against the pain of
higher interest rates before this year's
mid-term elections. But, given the
high US trade deficit, he cannot affer
to see the dollar alide turn into a reigt. Some inducement is needed to prosuade freign investors to finance the trade gap. The best move would be a rise in short-term rates, which would be justified anyway because of the strength of the domestic recovery. But if the Fed is unwilling to act, the pain will come through higher bond yields.

Coffee prices leap after | Dollar at Brazil hit by second frost new low

Continued from Page 1

peak in London of \$4,000 m tonne for coffee for delivery in three

"We're looking at a situation where higher prices are needed to ration demaind," said Ms Games, "Brazil could run out of coffee by mid-1996. world's largest producer. That's a pretty scary thought." In New York, September

futures prices for arabica coffee, which accounts for the bulk of Brazil's production, were up 50.40 cents at 238.75 cents a pound, or

Continued from Page 1

implicitly that there is very little that they can do."

Mr Hannah added that in the context of the G7's strong commitment to free markets, "it would be illogical to stand in the way of a move that is clearly reflection of changing market

bat inflationary pressures.



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Midland Bank pic

Landesbank Hessen-Thüringen Girozentrale

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NatWest Markets

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The Toronto-Dominion Bank

Bank of Scotland

Barclays Bank PLC

Banque Paribas

The Sanwa Bank, Limited

Westdeutsche Landesbank Girozentrale

Morgan Guaranty Trust Company of New York

JPMorgan

June 1994

This announcement appears a miller of record only.

Europe today Conditions will be generally warm, with planty

of sunshine. Afternoon temperatures 30C will be common, while temperatures in the Spanish knterior will reach 35C-40C. The air will stay dry in France, with scattered thunder showers. Frequent thunder showers will keep the Balkans and Greece several degrees cooler Scattered showers will develop to the east of the Appenines in Italy. There will be rain in Scandinavia near a wavering cold front. Conditions in southern Sweden and in Finland will be sunny and warm, influenced by a zone of high pressure over the Baltic Sea. Afternoon temperatures will rise to 26C-31C in south-

Five-day forecast

Cooler ocean air will flow towards the continent by Wednesday, triggering thunder showers in France. Scattered thunder showers may reach southern England later tomorrow. France, the Benelux, and Germany will have thunder storms as the cooler air moves toward the east. Conditions over the Balkans and Greece will become more settled, with afternoon temperatures several degrees higher. Sca thunder showers will develop over wester central Turkey later in the week.



Lufthansa

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Jensey
Karachi
Kuwatt
L. Angeles
Lims
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London
Luxtbourg 3033 49 30 20 31 25 31 35 31 46 49 22 88 22 30 31 26 313713023331321813323252222222 35 20 25 30 13 24 35 35 27 27 28 25 30 32 35 28 35 27 28 17 28 Rangoon Reykjavik Rome Rome S. Frsco Secul Singespore Stockholm Strasbourg Sydney Tangler Tal Aviv Toronto Venica Venna Venna Warsaw Wastington Wallington Winnipeg Zurich





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Alusuisse to sell

Alusulsse, the Swiss aluminium, packaging and chemicals group, is to sell its loss-making US aluminium business, Consolidated Aluminium Corporation (Conalco) to Ormet Corporation,

the fourth largest producer of primary aluminium

Since coming out of Chapter 11 bankruptcy protec-

tion at the end of last year, Trans World Airlines, the seventh biggest US airline, has seen an exodus

Victoire reshuffles share structure

Victoire, the French insurer, plans to reshuffle

in bonus shares and dividends to shareholders in preparation for its takeover by Commercial

Pelta to cut 4,500 customer service jobs Delta Air Lines, the third biggest US airline, is cutting 4,500 jobs from its airport customer service

Dell Computer, the US personal computer manufac-turer, is withdrawing from retail stores II to be

Low Bonar, the international packaging, plastics

and specialist materials group, unveiled a 42 per cent increase in interim profits following a sharp improvement in sales and productivity. Page

OFT to investigate Healthcall
The Office of Fair Trading is to investigate allegations of anti-competitive practices by Healthcall,
the UK's largest provider of out-of-hours doctors.

AG Barr, the Glessow-based soft drinks company.

is hoping for further warm weather after pre-tax

profits for the six months to April 30 1994 rose

to £2.23m (\$3.4m), from £1.6m. Page 23

Companies in this leave

division during the next 12 months. Page 19

in order to focus == direct sales via mail and

Low & Bongr rises 42% at Interim

Dell retreats from retail stores

UE business

Exodus from the top of TWA

of senior managers. Page 18

Bata appoints outsider

Union of the UK. Page II

telephone. Page 💶

Sunny spelle

IN BRIEF

A FINANCIAL TIME for dange

COMPANIES & MARKETS

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Tuesday July 12 1994

FINANCIAL TIMES

■ Financial charges reduced as debt cut to FFr105.6bn ■ Strong growth in mobile services

France Télécom profits surge 45%

By John Ridding in Paris

Télécom, the telecommunications operator, yesterday announced sharp jump in net profits last last from FFr3.3bn in 1992 in 1992

The on slight rise in sales from FFr122.6bn to FFr127bn, and a fall in financial charges as the operator pursued a policy if the reduction. At the and at last man, cross

FFr105.6bn. compared with FFr111.6bn at the end 1992. a result, financial charges fell to 6.9 per 📼 🔳 sales, as opposed in all per cent. The results were achieved after a

FFr15.2bn payment in the state, France Isaa said Is the in which which position world's fourth largest after NTT of Japan, Deutsche AT&T of the US,

depressed demand have seen increasingly strong recession in France. In the difficult

economic environment, the company said that the improved remnues reflected im impact in new products, such as Itineris in Bi-Bop, 🖿 mobile telephone 🔐

The radio-telephone vice Itineris had ers at the end of last year, while Bi-Bop, which requires the to be near to be station,

The group saw continued expansion Minitel activities. The number of subscriptions from 6.5m, while in number of services available on Minitel was to

France Télécom plans III tinue with III strategy of reducing debt, while seeking partnerships in its core activities and in new

Last month, the company announced the formation 📰 a partnership with Tele-kom and Sprint of US III provide services to multinational clients. This represented an tor's existing alliance with

Telekom, formed in 1993. The alliances do not yet in France, the III all Japan. include equity participations, partly because II France Télépublic amounted to FFr35.2bn, an to reform the the the of 17 cent.

By David Wighton in London

Mr Gregory Hutchings, executive Tomkins, yesterday expressed astonishment at the

industrial conglomerate's low

better-than-expected 🗷 per 📺

jump in pre-tax profits in £257m (\$391m). "We win every match and we are still bottom in league," he will

He pointed to Mai 14 per ment

in samings per in 15.1p to April, compared to UK under-under-

performed the manual by street

30 per terni ninos it massimmed ins

McDougall in the Land They

just ¼p www.yesterday.
The RIM businesses contrib-

uted profits of land and

enhanced per by by
Il least 4 per cent. "We have
always delivered shareholders
what we said we would which is

what makes the share

depressing," Mr Hutchings. He had that lowly

rating would not prevent group advantage acquisition opportunities. wery we could

gear up if we saw major acquisition." He major that nothing was being contemplated at pres-

ent and any lime deal would be

Dividends rose 16 per cent to

7.38p, after final 1.00 in 5.3p, which Mr Hutchings

5.3p, which Mr Hutchings was reflected the group's strong cash

flow and good growth prospects.
"We are very optimistic and

excited it is the future. In are

in the best position we have ever been." It said that it integra-

tion of RHM was largely at plan

Tomkins rises

still languish

50% but shares

borrowings were reduced to against a background of subscribers. Both services such as multimedia. French group, a step any eventual privatisa-tion, have delayed while the proposal is discussed with

> France Télécom La la been forming alliances in in multi-media ... It ... recently concluded agreements with commu-The that total investments during

although in delays in the delivery capital equipment pushed be rationalisa-

tion recommend it had spent

course out of the time provi-

Profits from milling and baking

rose in £22.1m on and of inclass

- compared with a 21-week con-

infection of Claims in Commercial

the previous year - but min on capital employed was

Profits from food products

on turnover 2 £939.5m

was "a lot more still

come". Profits from the non-food

businesses rose 13 per lant m £130.6m on turnover of £1.62bn (£1.32bn). The US housing and

housing-related had a

Tomkins generates half in dollars in hedged

rate iii iii compared iiii \$1.76m the previous year, added about 4.5 cent to sterling on translation. This year's

rate is \$1.48, giving it a gain of

more than 3 per mal.
The company said the UK was

showing some of from with companies the light engineering and

housing market seeing some

pick-up. But continental Europe,

which accounts for under 5 per

Tomkins ended the year with

net 2156m, and spending

£100m on the acquisition

Industries, ers' funds ram 1 £897.8m (£802.0m). Broker III. Govett

profits # £300m W

year with earnings up 19 per cent

cent of sales, remains

17.9p.

second "" "solid growth".

still "unsatisfactory".

Bata, the Canadian family-owned footwear empire, has brought in an outsider – from RJR Nabisco – as chief executive for the first time in its 100-year Crédit its share structure and distribute FFr4.11bn (\$774m) Lyonnais inquiry comes to light today

The French parliament will today publish in official inquiry mia we problems of MAIII Lyonnais, the banking group. The report is understood to be flercely critical of the regulatory anthorities and the management team led by Mr Jean-Yves Haberer, the bank's former

tor company while is one of Europe's Mana banks, man forced earlier man man is ask government support a (\$8.1bn) financial resone to repair its balance sheet after running up a net less for 1998 of FFr6.9bn.

The government immediately formed a parliamentary committee of inquiry led by Mr Philippe Seguin, president of the National Assembly, to investigate the causes of the bank's difficulties. Although the inquiry is believed to be critical of the French Treasury for its failure to heed warnings about Crédit Lyounais, it is understood to have identified Mr Haberer as the chief architect of the bank's shortcomings.

Mr Haberer, who was appointed chairman in 1988 by the then socialist government new conservative administration, in thought to have been accused of mismanagement but cleared of any personal misap-

propriation of funds. French press reports suggest that the inquiry criticises Mr Haberer's draconian manage-ment style and the failure of his team to make full reports to the state on Crédit Lyonnais's problems. The included in the sure to MGM, the crippled Hollywood movie studio, and to Sasea holding company

which subsequently collapsed.
Since the announcement of the rescue package, Mr Haberer has been removed from his state-appointed post as chairman in

benking group.

I number of his senior execution of Crédit Lyonnais also left the bank following the arrival last autumn of Mr Jean Peyrelevade as the new chair-

Harry Mr Peyrelevade, who reported clashed with the government over the level of provisions he plans to report for

the first half if this year. which initially had been expec-ted is break even in 1994, would instead report a around FFr1bn.

'Upward trend' in the German economy will not come soon enough to affect this year's results

Siemens set to shed a further 7,000 jobs

Stemens, ille electronics and electrical group, yesterday ther 7,000 jobs this year. The news came alongside confirma-tion that annual operating profits were likely to fall by between 10 and 15 per cent. Mr Heinrich von Plerer, presi-

dent and chief executive, said that by the end of September the total workforce would be reduced to 385,000. Additional staff from the first-time inclusion of the Osram Sylvania lighting business in the US had masked a reduction # 13,000 jobs, # added, speaking at the company's summer conference in

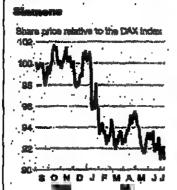
Prague.
While there were "a number of signs of an upward trend" in the German economy, the effects of the improving business climate would not have an impact on the company's results this which ends in said Mr von Pierer.

Although new orders for the eight months to the end of May were up 6 per at DM58.7bn (\$35bn) and sales were 8 per cent higher at DM50.4bn, the increase came entirely from foreign business. Domestic orders and sales

For Germany in the same period, can orders fell 7 per cant DM22.2bn and sales were 6 per DM20.8bn Foreign increased 17 to DM84.5bn and foreign were 11 per in higher DM29.6bn.

Foreign business now accounted im more than 60 per cant of Siemens' total operations up from less than 55 per cent in the last financial year, said Mr rapid This inflamed the ness in America and South-East Asia compared with Europe.

He said that Siemens expected to achieve the orders and sales targets it set itself at the beginning of the year. It anticipated





of DM87bm # 1993-94, up from DM84.1bn | year, and DM84bn, against DM81.6bn. These increases were mostly due to the initial contributions of Osram Sylvania.

I'm income remained "under pressure", however, ontinuing price deterior-ation and underlying Mr Karl-Hermann Baumann,

chief financial officer, said operating income this year would fall by between 10 and 15 per cent. He added that this would be offset by an extraordinary gain from the sale of the cardiac pacemaker division, which would be included in fourth-quarter

Siemens expected pay an unchanged dividend. "I think you can say there will not be too much change in either direction." Mr Baumann said. The group paid a dividend of DM13 per share in the last finan-

This announcement appears as a matter of record only £750,000 equity financing to support the development of



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25 Short-term int rates LIS Interest rates

Chief price changes yesterday

231 348

Mr Simon Neathercoat, W brokers Kleinwort Securities, said: "There was fond the story the eighties that Exco was." Exco acquired by B&C in 1986, an extremely successful

merchant bankers suggested the shares war "given away", but the pricing had w the lim Moon in which the moneybroking industry been held by investors,

shares were offered at 175p, offering a historic price-earnings ratio of 9.5 and ■ notional yield of 6 per cent. Given the strong cash generation start trading on July 19.

of the industry and the Exco's global diversification, have clearly been per-suaded that the dividend tainable. The issue was also helped by

the fact that the Cayzer family's Investments, a canny investor, opted to retain its stake By comparison, 3i was considered to be relatively aggressively priced, with a discount to net asset value of 13.5 per cent, and

gross dividend yield of 3 per cent. Baring Brothers, the sponsor, emphasised the importance of the institutional portion III the II

With this level of demand, Exco shares are expected to show a healthy premium when they

Success of Exco offer shows life in UK new issues market

By Simon Davies in London

Exco, the moneybroking arm of the collapsed British & Commonwealth group, yesterday gave a encouragement the lacklustre UK new issues market with the announcement that its public offer was 3.2 times sub-

The response to the £23m public portion of Exco's £93m share was far more favourable than the highly publicised flotation of venture capital group 3i, which spent £2m on marketing the offer to affluent private investors. The 3i flotation was only 1.1 times subscribed, with less than 20 per cent of the 385,000 individuals who registered for its prospectus putting in applications.

Exco received 9,500 individual

applications after spending

2200,000 on advertising.

phase the market. Mr Residences with the with a good story and a price, in new issue market mah : open". Pricing was certainly an issue

about volatility.

offer, which was 1.7 times subscribed, but it must have been disappointed that the private investors had failed to deliver.

By Frances Williams

the Swiss aluminium, packaging and chemicals sell its lossmaking aluminium business, Daniel Aluminium Corporation (Conalco). The buyer Corpora-tion, the fourth-largest pro-ducer of primary aluminium in

sale, price, land further step in Alusuisse's strategy dependence on aluminium, which is suffering from overcapacity and depressed prices. The weighting of group's aluminium division has shrunk from more than thirds in 1988 u an per cent this year. Analysts predicting

strong revival in profits after disappointing results in 1993, when income slid 31 e cent to SFr83m (\$62.6m) on sales of SFr6.2br

With the disposal of Conalco, the group's aluminium operations are now emiled around manufacture in high value-added machined products in Europe.
Alusuisse said yesterday it

lanned 🔳 focus 🛍 📥 American million on expanding profitable packaging and chemicals Conalco employs and production plants in four US - Ohio,

Virginia, Twee and Missi-

It loss of \$22m year, on sales 15 per cent la at \$347m.

Soros sells bulk of **British Land stake**

By Sknon Davies in London

Mr George Soros, ar intermajority of his Quantum from some in Brillian Land, UK property group, for a 8 posed of the fund's man in Surrey-based housebuilder Berkeley Group.

The proceeds of the British Land state are in ploughed back British Land Quantum Property Investment Partnership (BLQ), Mr Soros' (\$770m) joint venture

UK property fund.

The part is a limper in a limper in a limper in a limpurchased when the fund up. Quantum UK Realty and G. Same Realty Investors sold 5.3m Land shares at 402p, compared with their purchase price. They much im shares.

Till Quantum Fund III sold 2.48m in Berkeley Group which, based on yesterday's closing price of 398p, raised around £9.86m. He Berkeley shares

purchased in January

Mr Grand III Quantum Fund will realise \$21.3m from the British Land disposal. However, this is IM be reinwere in the fund, in wallier Mr John Town Smith,

director, British Land would match was additional Soros investment, enabling In that is East a further £80m, au it aims L match equity with debt.

setting up of Quan-tum Fund marked turning point in perception UK property market, share price - British Land reacted accordingly since Mr Dieni took iki itahi, ikidaes said it man sense for Mr Sense to focus his investments in U UK property market = British Land fund.

The fund has me far invested 2600m in UK property, and Mr Walter Smith said it was roughly 55 per cent geared.

Victoire reshuffles capital for CU deal

By Alice Revesthorn in Paris

Victoire, the French insurer, plans is reshuffle its share structure and distribute PFr4.11bn in buse was and John W shareholders in preparation for in biscure by Union of Its

Commercial Union Int month months if tlations by clinching FFr12.5bn (\$2.24bn) deal III bay lim balk if Victoire's from Suez, the French holding that owns in per real of the insur-

Barra company. View must restructure its equity and disposal late last year of its interet in the Vinci Italiane group. The buyer was listen (UAP).

The restructuring will doubling the in them in 19400) in a two-

The of Victoire's capital will then in manual in Fred William from First Sales by issuing 12 new bonus to important by severe 60 held. Victoire's will

menin a special and and of FFr1.3hn. tribute w manhadan the

it remired in payment for the Vinci 📥 The was of the Victoire transaction with mounting speculation L.C. Allianz, III powerful German

ODCE - B B UF U buyer of Victoire, in Lyonnais, im troubled French bank, over a co-operative resulting in Crédit Lyonnais E known to

be interested in forging links with insurance group following the failure in plans to form a co-operative maintain etta American Guerrila de France.

Allianz yesterday declined to on German reports that it had begun talks with Credit Lyonnais.

Executive bail-out holds TWA off-course

How does an airline lose five top men in ■ few months? Richard Tomkins investigates

is unfortunate: to lose two, it might be said, looks like carelessness. How, then, in one decrease like loss I I'm in a meller of months? coming of Chapter 11 bankruptcy protection the fifth of last year, Trans World Airlines, the seventhle airline, and an

In January, 🖪 📥 a chairvice-chairman; in May, E is senior vice-president for marketing, last month, in chief financial cer quit; and last me vice-chairman resigned. A favourable interpretation

of such a rapid turnover might newly-resurgent company E clearing decks to make may be fresh talent. Given the company's precari-financial condition, however, I is equally tempting M ask whether it II a case of executives leaving sinking ship.
Once was of the world's hig-

gest best-known airlines, deregulated US in outweigh profits in its plemations.

Rad immed to worse when Mr Carl Icahn, and one-time corporate raider, leveraged buy-out in I adding worth of millions of worth of borrowings it is balance sheet. With the alline industry as a struggling. TWA dragged but bankruptcy in Me by the set of servicing

airline emerged

Chapter last November. umder different ownership. As part of the recue plan, employees agreed worth of labour concessions for III cent w company's shares. The remaining per per went in the creditors TWA also emerged with a management team aimed at accommodating the differing

perspectives of its new owners. Mr Glenn Zander, one of the two TWA executives who had been running the company while it was in Chapter 11, was seen by the labour unions as too hard. Mr Robin Wilson, the other, was seen by the credi-tors as too soft. So, both were made vice-chairmen, and an

outsider was appointed above

them: Mr William Howard, a

71-year-old airline industry vet-

eran, who became chairman

Unfortunately, the ingly happy compromise was a speciacular failure. The airline mined in Daniela targets. squabbles about strategy burst into the open and, just six months after the team's instal-lation, Mr Howard and Mr Zan-

In January, Mr Howard was replaced as chairman by executive member of the Mr Paul Craib, a former christian and chall mace I'm of Ille insurance with no previous airline experience. of The Craib's first decisions was to bring in an experiairline boss an chief executive: Leffrey Erickson, the tough-talking and analysis

der resigned.

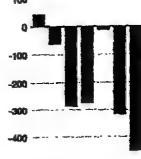
immediately brought in airline 🗁 📨 🤇

of the unstart 115 airline

inc joining TWA in April. Mr Indiana determination to stamp 🕍 authority 📰 👫 airother vicechairman and senior executives. "I we building my management ber me you can't in the many ple leaving." In Man and the clearing-of-

the-decks analogy stands up sinking ship. Yet there is an doubt TWA financial problems. Poor's, the US credit rating way, downgraded airline's senior revised in ratings united on the airline in negative. Mr Philip Baggaley, Mar airline industry analyst, ___ lb (to:

Net profit/loss before extraordinary items, \$m



BE SO 91 92 93

pany well run out of cash the

Although TWA wo gone long we have overcoming reputation in service it earned in the Icahn years, new competition from other airlines in preventing it from meeting in targets. And, with in highest in US airlim industry, it is ill-equipped to facility a library war.

In us quarter to March, TWA incurred net losses of \$124.4m. Mary important, at tile end 🕍 🚍 quarter 🛚 🔤 only num in cash. All in medit facilities um drawn and wirtually all pledged, it cannot miss man funds West January, II is like some Hill worth if eria estructui by Mr Icahn. Clearly, I will i unable i ii though equally clearly it

ance the loans. TWA survives the winter period, problems lie ahead. In the middle of next year, its labour

will hope to extend or

expire.

airliner fleet, we of the oldest in the US, is long over-due for renewal, its only hub -Louis. Missouri - www. relatively small segment in the US market, and suffers competition from the low-cost Southwest Airlines. Its few remaining transatlantic routes

TWA is fighting with an efficiency drive aimed lopping \$135m year off oper.

However, some Wall analysts employee owner-ship could prevent to company from making the staffing it med to more Nearly all them rate it as Irun least likely to in Wears.

Mr Middenn retorts: "I am here in mind them wrong. However, in not rule possibility TWA could change a lot in meantime. Nothing sacred, he Some - including transatlantic ones cut. Mhim will M added.

"You have In make the marketplace wants. Mr Ladam syrs "I think II. final chapter in the 15-year lill air deregulation 5 being now, and airline that respond in the marketplace in La final chap-likely La My job 🖫 🖽 🖼 🕮 нин wa'те 🖼 them."

withir asses adjornimi:

NEWS DIGEST

SHL shows solid growth

Systemhouse, a lasgrowing Canadian computer service group, with margins are improving and profits recovering quickly, with the in Montreal. Third-quarter revenues were

up III per cent at (IS\$219.4m). Net profit more than doubled

□ 🚍 📰 🗆 share, from C\$2.3m, or 5 cents, a year

The result brings are profit for nine months to C\$16m, or II share, up from C33.9m, or 9 cents, ■ per the lier, on revenues of C3364m, ■ to per cent.

John Oltman, M. chairman, said that the manual was focusing on improving operating margins further in term, while continuing la develop markets in Burth and South America. Europe and Asia.

Shopping-centre deal Harimonia Camba a unit of Property Invest-of the UK, is paying (US\$115.1m) for the Urband shopping and true with and the retail and 1.2m square feet, writer lines

The seller | Sifton Properries, a family-controlled property holding company. Hammerson is and of the largest commercial property

PNG mine review

Mr Roy Shipes, US-based consultant, Ma flown in Papua New Guinea's Lihir Limit to begin a two-week review of a planned goldmine project there, with request of the

Kaputin, Nikki Tait in Sydney.

Development of it mine. men would be one of the larget miste beath Africa, les wrangling with the PNG government bow lb project should a structured

Originally, hopes ing for project - joint between MI the III and Niugini Mining. which is controlled by Canada's Fettile Mountain be granted M me beginning m

However, un matter leader bogged In in the PIII cabinet, with the dispute are ently centring on state the state-owned Malaysia Mining Corporation about brought in a carly stage, and along of the equity should be given local landowners.

CSR expansion

Australian building products and group, a m spend A\$30m (US\$21.9m) construction and develop of a sugar mill in the Ord Firm district of Western Australia, writes Nikki Tait.

The mill will be capable of crushing 560,000 to of cane annually, producing That

Standard & Chartered

Standard Chartered PLC

US\$400,000,000 Undated Primary Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the interest Determination period from 12th July 1994 to 12th August 1984 his Maria will carry maria at the of 5.375 per cent per annum.

interest accrued to 12th August 1994 and payable on 12th January will amount w USIN44 28 per US\$10,000 Num and US\$462.85 per US\$100,000 Note.

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AND IN THE MATTER OF
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NOTICE INSOLVENCY ACT 1988
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Liquidators of the above-assest companion (all of
which are United Kingdom companion (all of
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was presented in Her Majerry's High Court of
Justice, Chancery Division on 20th June 1994 for eation of the reduction of the shar

by EL 200,000
AND NOTICE is turther given that the said
Patition is directed to be heard before Mr
Registre Buckley at the Royal Course of Justice,
Resend, Loudon WCAA ZLL on Westenday the
20th day of July 1994
Any Emission of the Company dealing to oppose the making of an Company dustring to oppose the molting of an Opter for the series of the said reduction of above premium account should appear at the time of the heating in person or by Countil for

time to the state of the state of the property of the state of the state of the state of the same by the tendent of the same by the tendent of the Regulated Conge for the same. Denot the 12th day of July 1994. CLIFFORD CHANCE 2011 Addresses Smoot.

IN THE HIGH COURT OF JUSTICE IN THE MATTER OF BANTAL WHITING HOLDINGS ok

IN THE MATTER OF THE COMPANIES ACT 1986 NOTICE IS HEREBY GIVEN that a Petition

NOTICE IS HEREBY GIVEN that a Petition was preposited to Hes Majesty's High Court of Justice, Chancery Division on 29th Just: 1994 for the confirmation of the reduction of the share proteins account of the Illumin samed Compute by Illumin Administration is directed in illuminate the said Petition is directed in illuminate the said Petition is directed in illuminate the Registrar Buckley as the Royal Courts of Justice, Strond, London WCZA, 2LL on Wednesday the 20th day Creditor or Sharechilder in this said Computery dealing 20 appears the militing of sha Coder for the confirmation of the said reduction of shous pressions actount should appear at the thorough the hoping to genome or by Counted for the purpose. A copy of the said Petition of the hoping to persons or by Counted for the group of the said reduction of the Regulated Change for the said.

Dated the 12th day of July 29th CLIFFORD Installed
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No. 60453 of 1994 IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION IN THE MATTER OF M.T. HOLDINGS pic

N THE MATTER OF THE LATTER OF THE PARTY OF THE

AND NOTICE is further given that the mid

Petition is directed to be heard before his Regimes Buckley of the Royal Courts of Justice, Sarand, London WCZA ZLL, on Wednesday on 20th day of July 1994 Any Creditor or Taxable 1 the taid Company desiring to oppose the making of an Order for the confirmation of the said Order for the confirmation of the said constitution of the said appear at the more of the bearing in param or by Contact for the purpose A copy of the mid Petition will be formulated to any person requiring the same by the immunication Solicitors on payment of the Regulated Charge for the name.

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INTERNATIONAL COMPANIES AND FINANCE

Bata brings in outsider as its chief executive

By Bernard Simon in Toronto

omkine mediali

Bata, the family-owned footwear group, has brought in an outsider as chief executive for the first time in its 100-year

Mr Stanley Heath, executive vice-president of Nabisco International, the international food arm of RJR Nabisco, the US tobacco and consumer products group, will move to Toronto next month as Bata's president and chief executive.

Mr Heath's appointment coincides with the retirement of Mr Thomas Bata Sr as chairman. Mr Bata, who rebuilt the family shoe empire in Canada after leaving his native Czechoslovakia in the early 1930s, ahead of the Nazi occupation, will be 80 in September.

Mr Bata will be succeeded as

chairman by his son Tom. The younger Bata has been chief executive for the past nine years, but is considered a less forceful and effective manager than his father.

16 asp

4 SR expansion

化二氯甲烷

Bata owns about 40 aboe factories and more than 6,000 shops around the world, selling 300m pairs of shoes a year. The company has never disclosed revenues, profits or market share, and members of the

Dell Computer, the US

personal computer manufac-

turer, is withdrawing from the

retail stores distribution chan-

nel in order to focus on direct sales via mail and telephone.

down its will distribution

over recent months.

sales are expected to contrib-

ute less than 2 per cent of reve-

nues in the current quarter, it

It said retail sales "have never been more than 10 per cent of our business" and the company had been winding

By Louise Kehos

in San Francisco

Dell withdraws from

retail distribution

Bata family generally confined their public profile to philanthropic cther nonbusiness interests.

Mr Bata Sr has played a prominent role in recent years in the reconstruction of the Czech and Slovak economies. The family business was one of the biggest in pre-war Czechoslovakia, but was taken over by the communists in the late

Mr Heath, aged 56, is an Englishman who is fluent in French and Spanish and has a reputation as a bright and easy-going manager. His biggest challenges are to revive morale among Bata's senior management, and strengthen the company's presence in fastgrowing markets, especially eastern Europe and south-east

Bata has faced increasing competition in recent years from low-cost shoe factories in countries where it has had little presence, such as China

it has also sought to break into the countries of the for-mer Soviet Union, which are viewed by Mr Bata Sr as one of the few remaining vacuums in the international shoe

III PC companies for mall

computer "superstores" and limit struggle re

increase profit margins and in lie in fiscal

For the year ending January

fifth-largest PC manufacturer,

according to Dataquest, a mar-

Eli Lilly to test new formula

li Lilly's planned pur-chase of PCS, a pharmacy benefits ment company which is part of McKesson, the US Lulling the reshaping of the US retail drugs distribution hasiness.
If finalised, it will bring to

three the number of benefit managers sold in less than a year, for a total consideration of around \$13bn (Merck paid \$6.7bn for Medco last autumn, while SmithKline Beecham has agreed to buy Diversified Pharmaceutical Services for \$2.3bn). others, Chank and

Tuna Health, Len III and close tim of their mar with months, though they stopped with de outright In a low-growth drugs

market, hope that control of the bridge will help them gain market share. Pharmacy benefits managers fill out prescriptions for big buyers of healthcare, such as the Blue Cross/Blue Shield organisations will provide health coverage at state level to many Americans, or nies which pay for their workers' healthcare benefits. Through their formularies

lists of recommended drugs they considerable influence over ille drugs patients buy.

According to figures pro-vided by the distributors, their influence on drug buying hab-its is growing fast. The five mentioned above claim more than 75m people on their formularies, accounting for nearly one in three Americans.

PCS, the biggest by this mea
Although Prosec was first into

aure, claims 30m people.
It also has one of the fastestgrowing parliment lists The number of people on its formularies has grown around 50 per cent in the past year). Much of this growth has come from converting existing customers to the formulary approach, though PCS has also won some big new contracts: this year, for instance, it added nearly Im people with the BlueCross/

Blue Shield of North Carolina.

the market, a raft of competi-tors such as Pfizer's Zoloft, SmithKline Beecham's Paxil, and American Home Product's Effexor, have undermined the drug's growth. Allegations by the Church Of Scientology that the medicine can cause suicidal and violent behaviour have also affected volumes. Kil Lilly has also performed

poorly in the increasingly difficult antibiotic market. Ceclor, the group's top-

Planned purchase comes as the US drugs industry is reshaping, write Paul Abrahams and Richard Waters

Eli Lilly probably needed to acquire a pharmacy benefit manager more than most pharticals companies. Its sales growth during the first quarter this year slowed to only 3 per cent, a far cry from the heady double-digit growth of the early 1990s, and certainly worse than most of its competitors.

The company has been espe-cially hit by the increasingly acute competitive environment in the US. Rii Lilly's most important markets - ant ics, anti-depressants and ulcer theranies - have been undermined by price competition. Bulk purchasers of medicines have in effect made such prodncts commodities.

For example, Prozac, Eli Lilly's top-selling anti-degreesant, was the first central nervous system medicine to achieve

selfing antibiotic, lost its US patent protection in 1992, and posted sales down 9.5 per cent to \$515m. The successor drug, Lorabid, has proved disap-

Finally, Axid, the company's fourth most important medi-cine, continues to compete in an increasingly turbulent anti-ulcer market. Tagamet, SmithKline Beecham's competitor product, lost US patent protection in May. Early data suggest Axid's share of

new prescriptions is falling.
Eli Lilly has responded by increasing its research and development investment to create new drugs that would be less susceptible to price compe-tition. R&D investment rose 10 per cent to \$955m in 1993, and an estimated 7 per cent to \$1.020bn this year.

However, there are few new drugs in the pipeline, accordtheory put forward yes-terday for Randall Tobias, Eli Lilly's chairman and chief Systems that PCS Health increasingly difficult environ-

It remains to be seen, though, whether the pharmacy benefits managers can sustain the difficult balancing act of pushing manufacturer's products while convincing that they are providing the best drug at the best price to each patient.

PCS yesterday said its acqui sition by Eli Lilly would make no different to the selection of drugs to formulary, in instance - though such disingenuous, given Eli Lilly's willingness to per talle in cash in the dis-

by Wall arms initial reaction yesterday. Eli Lilly is paying too much to secure this line of dis-

bribution The slide in its share price nd the prospect of a ratings downgrade reflect a general belief the deal will weaken the company financially and fail to produce sufficient sales growth to justify the price tag.

Some of the cash should come from sales of businesses. Eli Lilly said it was continuing with its plan to concentrate on five of its nine medical devices businesses during the fourth quarter this financial year. The remaining operations will be sold separately. However, the company still expects to borrow some \$2.5bn to finance its





AUTHORITATIVE VIARRIET ANALYSIS FOR THE BUSINESS COMMENTAL

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Delta to shed 4,500 more full-time jobs

By Richard Tomkins

Delta A. Lines, the mill limit III airline, yesterday announced it was cutting 4,500 31, Dell reported a net loss of \$35.8m, or \$1.06 per share, on sales of \$2.87bn. Dell is the full-time jobs from its airport customer service division during the next 12 months.

ket research company.

Dell "offer "offer The cuts are part of a drastic the opportunity in more robust profit margins" and restructuring, announced in April, under which Delts hopes play to Dell's strengths. The Texas-based pioto cut \$2hm m year from operating costs in an attempt to overcome competition from lowneered mail and telephone competition among the largest the late 1980s. Southwest Airlines.

Delta's airport customer service division is responsible for baggage and cargo handling, aircraft refuelling, customer service at the ticket counter and some administrative func-

tions. It employs 21,000 world-

wide.

The airline aims to a a 20 per cent cut in the division's workforce by requiring staff to work more flexible hours, including split shifts; requiring them to do other people's jobs as well as their own when they are not busy; making more use of part-time workers; and sub-

contracting

Delta said it hoped to achieve the job cuts through a combination of voluntary sev-erance, leave of absence and early retirement. Compulsory redundancy would be used if

The Delta's announcement last month that it was to shed 2,500 jobs from its technical operations division, which is responsible for maintenance.

Together, ill announcements take the company

way towards its targeted cut of between 12,000 and 15,000 jobs from the workforce of 78,000 in

the next three years.

Delta's goal is to reduce costs per available seat mile from 9.26 cents last year to 7.5 cents by 1997. That figure will be almost on a par with

Southwest's 7.2 cents. Delta has already shed more than 7,400 jobs since June 1992, and last February it cut employees' pay by 5 per cent. Only its 8,500 pilots belong to a union, so it has largely avoided labour strife to date.

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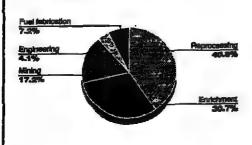
Note that the stand

COGEMA main activities encompass all aspects of the nuclear and cycle: uranium mining, uranium fluorination, enrichment, fuel fabrication

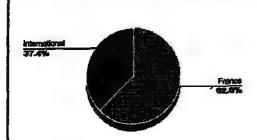
In association with Framatome. spent fuel reprocessing and recycling of reprocessed

BREAKDOWN OF SALES BY ACTIVITY

materials, and nuclear engineering.



GEOGRAPHICAL BREAKDOWN OF SALES



Earnings Up

h === d FF)	1993	1902	variation				
fisher	24,170	22,574	+ 7.1%				
outside -	9000	7,479	188				
operations	1,109	570	+ 94.7%				
New Lease (exci. minority interacts)	699	980	+ 37.9%				
Net part live	6,703	1,947	- 3.5%				
Property of the Party of the Pa	7,400	6,100	+ 21.3%				
Tran personnel employed as of 201	16,892	18.73	1,000				

COGEMA consolidated net income (excl. minority interests) rose about 38%, from FF 506.9 million in 1992 to FF 699.3 million in 1993. Consolidated sales, at FF 24.2 billion, rose by 7.1%, of which 3.3% are

Operations during the year 1993 remained affected by a

· a slow growth in consumption of nuclear fiels, with regard to a singgish increase in the number of nuclear power plants in operation,

Nevertheless, COGEMA consolidated income (after taxes) hit FF 937 million (3.9% of sales) compared to FF 662 million (2.9% of sales) in 1992. The bulk of this increase was attributable to improvements in the operating result of the mining activities of the group—due to past restructuration programs and to the acquisition of the uranium assets of TOTAL-, and to a satisfactory development of the spent fuel reproces-

billion in 1992). They were mainly directed to the completion of units for the back-end of the nuclear fuel cycle: additional capacities in spent fuel reprocessing and related facilities at La Hague, Mox fuel fabrication capacities at Cadarache and Marcoule.

In 1993, COGEMA and TOTAL concluded and executed an agreement according to which TOTAL acquired III.III of COGEMA stockholding on one hand, and COGEMA purchased the uranium assets of TOTAL, as mentionned before, and acquired a little less than FF 10 million (approx. 4%) of newly floated TOTAL ordinary shares, on the other.

The nuclear fuel cycle group 2, rue Paul-Daurier - BP 4 - 78141 Vélizy-Villacoublay Cedex - France

attributable to variations in the perimeter of consolidation.

· relatively low exchange rates against the U.S. dollar,

continuing draw-downs on inventories,

CIS exports.

sing activity.

Investments in tangible assets remained high, at FF 7.4 billion (FF 6.1

Banco Nacional de Comercio Exterior, S.N.C. (a national credit institution and development bank of the United Mexican States)

J.P. Morgan Ind.

April 1994

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Lehman Brothers International (Europe)

Templeton

Templeton Global Strategy Sicav Société d'Investissement à Capital Variable Centre Neuberg, 30, Grand-Rue, Luxembourg R.C. B-35117

Dividend Announcement

Templeton Global Strategy SICAV will pay on July 15, 1994

Paying Agent in Luxembourg: Banque Internationale à Luxe 2. Boulevard Royal L-2449 Luxembourg

The fund is traded ex-dividend as from July 8, 1994.

For any queries, shareholders are invited to contact their nearest Templeton office:

Edinburgh Frankfart 069-7682-011

46 66 67-1 The Board of Directors Luxemboarg, July 1994

REDIT COMMERCIAL
DE FRANCE
FRF 3,500,000,000
FLOATING RATE
NOTES DUE 1998 For the period July 11, 1994 to October 11, 1994 the new rate has been fixed at 5,6875 % P.A. Next payment date: October 11, 1994 Coupon nr : 3 Amount : FRF 145,35

for the denomination of FRF 10 000 FRF 1453,47 for the denomination of FRF 100 000 FRF 14534,72 for the denomination of for the denomination of FRF 1 000 000 THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP 15, AVENUE EMÎLE REUTER LUXEMBOURG SGA ACCEPTANCE N.V. FRF 300,000,000 REVERSE FLOATING RATE NOTES DUE APRIL 2003 For the period July 07, 1994 to the new rate has been

fixed at 8,875 % P.A. Next payment date : October 07, 1994 Coupon nr:3 Amount: FRF 226,81 for the

denomination of FRF 10000 FRF 2268,06 for the lanomination of FRF 100 000 FRF 22680,56 for the denomination of FRF 100 000

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Weak prices behind dip in Alcoa of Australia profit

By Bruce Jacques in Sydney and Laurie Morse in Chicago

Net profit at Australia, the integrated altiminium company, almost halved in the six months to June, reflecting lower sale prices and a stronger Austrahan currency.

The company - part of a merger proposal between its two largest shareholders, Aluminium Company of Amer-ica and Western Mining Corporation, the Australian mining group - yesterday reported a decline in earnings III A\$124.7m (US\$91.60m) from

Total revenue fell 7.7 per cent, to A\$1.00bn A\$1.09bn.

The company tis

By Jose Gelang in Earth

DHL Worldwide Express, the

international express mail con-

rier, is negotiating to buy a

minority interest in Philippine

Airlines (PAL), the country's

DHL is negotiating for a bloc

of shares in the airline cur-

rently held by three state insti-

Philippine National

Bank, Development Bank of

the Philippines, and AFP Retirement and Separation

The three institutions own 20

per cent of PR Holdings, the

consortium that acquired 67

per cent of PAL for 9bn pesos

Brambles Industries, the

Australian transport group, has bought the industrial ser-

vices business of Nilo Holdings, the diversified Dutch industrial group, for an undis-

closed sum, writes Bruce Jac-

ques in Sydney. The Nilo Holdings unit has

annual sales of around A\$20m

Brambles buys

Dutch group

flag carrier.

Benefits System.

A\$120m from A\$180m and a share, in the second quarter its capital expenditure to as the company gained from A\$63.2m from A\$85.2m in the

Directors said production cuts at the group's smelters caused lower sales of alumin-tum ingots, and gold sales volumes were hit by lower ore

But production costs were lower and sale volumes increased for both alumina and chemicals. The result followed a tax provision of A\$63.8m, down from

A\$100.8m previously, and depreciation of a series against A\$73.4m last time. The previous year's result included a A\$59.7m abnormal tax gain.

Meanwhile, Alcoa, the US aluminium producer, saw earnings rise to \$45.4m, or 50 cents

DHL Express seeks minority

(\$334m) in a public offer in Jan-

uary 1992. The 20 per cent holding in PR Holdings represents

13 per cent ownership of

DHL's interest in PAL was apparently prompted by the 1992 decision of rival return

Express to establish a hub for

its Asian operations at the

Subic Bay freeport, informer US naval base. A tie-up would expand DHL's involvement in the

industry. The express make company, based in Brussels, already has equity in

Guam-based Continental Air

On the other hand, PAL

El Al, Israel's state-owned

airline, reported net profits

of \$9.9m for 1993 compared with 1992 profits of \$30.5m for

the previous year - a decline of

67 per cent, a statement released by company

said, Reuter reports from Jeru-

stake in Philippine Airlines

cost-cutting and a steady rise m siuminium prices. Earnings amounted to

\$35.8m, or 48 cents a share, in The company, which is the world's biggest aluminium oup, said sales rose to \$2.5hm in the quarter, up slightly from \$2.4bn a year ago. The revenue increase came despite a slight drop in aluminium shipme which fell to 661,000 tonnes from 670,000 tonnes in the

same 1983 quarter. For the first six months, Alcoa made a net loss of \$62.9m, or 72 cents a share, on

The company fell heavily into the red in the first quarter when charges relating to pro-

industry experts, from DHL's business in cargo-handling in

A government official

involved in the negotiations

that it can provide to both

investment Agency, which is an investment

entity of the Sultan of Brunet.

failed to take off because the

group also owns a majority

stake in Malaysian Airlines

which PAL regards as a com-

which they believed would con-

Regarding prospects for the corrent year, Mr Rafi Harley, of the attime, said:

"1994 promises to be a more

challenging year for El Al than

last year, as competition in the

Israeli market has grown con-

siderably and the government

has amounced plans to privat-

petitor in regional traffic.

time into 1994.

An earlier bid by Brunei

Gold Fields falls after production setbacks

Gold Fields of South Africa reported a decline in after-tax profit to R392.3m (\$106.6m) for the June quarter, from R441 Im in the previous quar-ter. The fall, which came in spite of a higher gold price received, was due largely to election-related stoppages and public holidays which depressed production. Tons milled dropped to 3.18m from 3.31m in the

March quarter, while gold production dipped to 29,721kg from 30,982kg. Working costs per kilogram rose to from R23,410 and working profit declined to R548.3m from R582.2m, largely as a result of the lower throughput Capital expenditure rose

Mr Alan Munro, executive director, said that it had been an "eventful quarter" and that the six public holidays had production while increasing working costs because of extra overtime pay.

Of the group's mines, Kloof performed best. In spite of a drop in ore milled, due to a 10-day work stoppage in May, it was able to take advantage of a higher yield and better gold price to maintain pre-tax profit at R194.5m, close to the

previous quarter's R194.4m.
Driefontein, the group's other big producer, was also affected by industrial action. However, a continuation of abnormally high yields at its East Driefontein division meant pre-tax profit dipped only slightly, to R396.8m from R405.8m in March.

However, the group's two smaller mines had a harder time. Although it managed to increase tonnage, a lower yield meant Doornfontein reported a R12.6m loss on the quarter fol-lowing a R4.5m profit previ-ously, although this figure was distorted by a R6m payout following a court action by former employees.

Deelkraal's after tax profit was up at R15.7m from R15.67m, but this was largely due to a R&m tax credit, and pre-tax profit was sharply been in the second half down at RS.lm from R21.lm. of 1983, while the first

Reliance in the race for Indian diamond contract

By Shkaz Sidhva in New Deihi

Reliance Industries, the Indian petrochemicals and textiles conglomerate, yesterday said it was one of five contenders chosen by the Indian government to explore and develop potentral Indian state of Madhya Pradesh, a traditional diamond

De Beers, the international diamond group, was among the bidders which made tions to the state government last week. The contract likely to be awarded later this month, and the successful bidder is expected to spend Rsl.5m (US\$48m) on the explo-ration and development of dismond deposits.

Reliance, India's largest private sector company, has also bid for a facility to produce methane gas from coal in Mehsana district, in state. The company will spend Rs150m for the initial exploration required, if its bid is suc-The Indian government

recently liberalised country's coal, gold and other mining industries. They were formerly under the tight con-trol of the government. Reliance's forays into mining

follow its successful bid earlier this year 📦 develop three medium-sized oil and gas fields off India's west coast together with Enron, the US power company. Reliance's 9m tonne crude petroleum refinery is being set up in nearby Jamusgar at a cost of Re51.42bn which was raised through an ambitious public issue last

freasi

arush of

INTE

BONDS

the recently liberalised Indian The company has proposed to the government that it will build and operate a nationwide providing 10m new telephone lines in the next decade, rural telecoms services and public seofflo fies ders brace

The government is still in the process of finalizing its telecome policy.

Reliance yesterday declared its audited results for the year its audited results for the year ended March 31 1994, saying it had established a record total income of Re54.61bp. The company reported a net profit of Re5.75bm on sales of Re53.45bm, compared with last year's profit of Re3.22bm on sales of Re41.05m Re41.08mm

A spokesman for the company said Reliance was now "India's largest corporation in terms of sales, operating profit, cash profit, net profit, net profit, net worth and assets".

The company's directors have recommended a dividend of III per cent for the year, constituting a dividend payout of Rs1.39bn. The dividend, the largest in the private section, will be shared by the compa-ny's 2.4m shareholders in India

Good second-half growth boosts Taiwanese bank

(the "Company") USD 50,000,000 3.5 Pencent Conventible Boards Doe 2006

(the "Bonds")

NOTICE OF ISSUE OF NEW SHARES

Allocation of New Shanes
 Allocation of New Shanes
 The subscription by the employees of the company according the Law on Forceing the Capital Market in Kones, and the remaining 3,319,010 shares shall be allocated to the

The proportion of allocation can be adjusted by convening the Convenible Bonds.
 Fraction of shares and unsubscribed shares shall be disposed of by a

assulation in the passed at a meeting of the Board of Directors.

3) The actual issue price will be determined at a later date pursuant to the regulations of the Korean Securities and Embange Commission.

4) Any adjustment to the conversion price as a result of the issue of that

U.S. \$200,000,000

American Express Bank Ltd.

Floating Rate Subordinated Capital Notes

DARWOO TREECOM LTD.

Annual state of a stat

NOTICE IS HEREBY GIVEN to the bolders of the boods that at a succing of the Board of Discous held an 20th June, 1994, the Compan-autobad to inste New Shans under the following terms and conditions:

Type and Number of Shares
 4,148,762 ordinary shares in registered from
 Issue Price: 11,000 Korean Won per share, remarkely

By Laure Tyeon in Telpel

Hua New Commercial Bank, one of Taiwan's three main government-owned banks dominating the local market, posted preliminary pre-tax earnings of NT\$6.4bn (US\$239m) for the fiscal year ended June 30.

This was an increase of 21 per cent from a year carller However, analysts that most of the growth had half of this year had been stagnant due to slower loss growth and increasing preson interest rate

The bank also reported rays nues of NT\$55,8bn, up 4.9 per cent from 1993. Taiwan's 16 commercia

their loan portfolios, smalvsta

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PROFESSION ON CALL

THE RE PERSON

SOUTH ALIEN

banks ast up since 1992 are agressively expanding, which will make it increasingly dis-oult for the three state-ri-commercial banks build

the downturn in profits to competition, DAEWOO TELECOM U.S. \$100,000,000 This advertisement does not constitute an offer or commitment of any kind whatsoever by or on behalf of

El Al income plummets

Sierra Leone

the Government of Sierra Leone or the Bank of Sierra Leone and neither the Government por the Bank

Proposed Commercial Debt Reduction Programme

The Government of Sierra Leone (the "Government") and its central bank, the Bank of Sierra. Leone (the "Bank"), are currently reviewing the possibility of a debt reduction programme supported by the International Development responsible wines will involve use see ment of certain copy. if the Government and the Bank. For this purpose, all persons who have a direct claim against either the Government or the Bank (this excludes exporters with claims under the foreign exchange

Government's advisers are Lovell White Durrant, 65 Holborn Visduct, London ECIA 2DY, England (Tel: 44-71-236-0066, Fax: 44-71-248-4212) and all communications should referenced in the second of Andrew Gumble, Partner.

Please note that it is likely that debt will only be eligible in any debt reduction programme if

- (a) it is directly owed by the Government and/or the Bank or is guaranteed by the Government and/or the Bank:
- (b) it is denominated in a currency other than the Leone;
- (d) it is not subject to any Paris Club rescheduling;
- (e) is not guaranteed or supported by an export credit agency; and (f) it has remained overdue and outstanding for a period of at least li months.

These conditions are not exhaustive and are subject to change.



TNT Limited

Subordinated Floating Rate Notes Due 1996

Interest Rate Interest Period

SEE ME SANUTA 12th July 1994

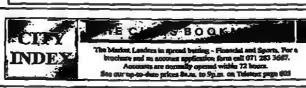
Interest Amount per

12th January 1995 U.S. \$100,000 Note due

12th January 1995

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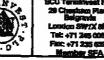


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CORPORATION

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(Where by Egeneral Source are any plain). (Where tragament loans are areas. Redistrant S.A. Lanambourgapies, 45 Boolevard Royale, Lanambourg. Bank of Ratyo Limited, 4-8 Rue Sainto-Armo, Paris 1, France. Basic Final Limited, former Spreadtheate 45, 4000, Descritori,

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10 Fleet Place, London EC4M 7RH.

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(ane depository there comprising
10 ordinary sharet of Yes 50 each)
Hamboos Bank Limited amounce that
Coupon No: 27 representing the dividund on the underlying thinses for the
year ended litst March 1994 is esquible at
thou Eth July 1994 at the rate of USSO.70
per Depository Share Jess Japanese rezes
as applicable and may be presented for
psymetra at their Canhiers Country, 41
Tower Mill, Leadon ECSN 41th. or at
Recliebant S.A. Literathourg.
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Limited must be listed on the special
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before declustion of Japanese Withitoiding tax.

Hambros Bank Limited 12th July 1994

Notice is hereby given that for the interest Period T3th July, 1994 to 13th October, 1994 the Notes will bear interest at the rate of 54/5 per antour. The interest psyable on 13th October, 1994 against Coupon No. 30 will be U.S. \$129.36 per U.S. \$10,000 Nominal and U.S. \$3,234.38 per U.S. \$250,000 Nominal. DATED THIS 1217H DAY OF JULY 1984. Principal Paying Agent ROYAL BANK OF CANADA **EUROPE LIMITED**

July, 1994

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MBE Finance N.V.

US \$10,000,000

interest period: July 10, 1995 January 12. 5.70% per anyours

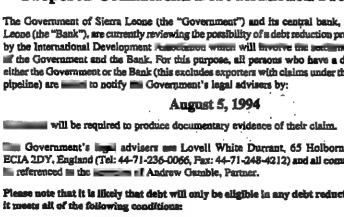
payable per Bond US\$291,33 BANQUE INTERNATIONALE BILL A LUXEMBOURG RIV

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Fax: 071 873 3064

press in South Africa today:



(c) it is not government to government or central bank to central bank indebtedness;

This advertisement is issued on behalf of the Government and the Bank by their financial advisors, ScotiaMcLeod Inc., Toronto, a wholly-owned subsidiary of the Bank of Nova Scotia.

Reports of the undermentioned companies for the quarter ended 30th June 1994 were released to the relevant Stock Exchanges yesterday and have been published in the

> Deelkraal Mining Company Limited Doornfontein Gold Mining Company Limited **Driefontein Consolidated Limited** Gold Fields Coal Limited Kloof Gold Mining Company Limited

Copies of the reports will be posted to all shareholders of the companies, but are also available to the public on collection from Gold Fields Corporate Services Limited. Greencoar House, Francis Street, London SW1 from Monday to Friday each week during normal business hours.

12th July 1994

HS HILLIAM

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US Treasuries fall in wake of weaker dollar

By Patrick Herverson In New York and Conner Mickelmann in London

US Treasury prices fell across the maturity range yesterday morning in the wake of higher commodities prices and another decline in the dollar. By midday, the benchmark 30-year government bond was down & at 83 k, yielding 7.713 per cent. Prices were also

ing 6.255 per cent. In the absence of fresh economic statistics, all eyes were on the dollar when the market opened yesterday, and it was a dollar that continued to weaken against other major currencies.

weaker at the short end of the

market, down 1 at 99%, yield-

It was not long before bonds began to slip in the dollar's wake, as the currency dropped to a new post-1945 low against the yen and below DM1.54 against the D-Mark.

The decline in the dollar increased the likelihood that the Federal Reserve would raise interest rates, partly to support the dollar but also slow the economy's growth, traders said

A rise in commodities prices further undermined bonds, although the increase in the Commodity Research Bureau's closely-followed was attributed by analysts to a surge in coffee prices.

As the dollar continued to As the dollar continued to This spurred talk that hedge tumble, portfolio will into funds, which are often active

Europe's safe havens out of m in the futures markets, were due this week, and "there's a MUK gilts also had a strong

"After the G7 failed to offer a package in support of the dollar, there now was be less danger in allocating funds 16

GOVERNMENT

Europe," said Mr Chris Anthony, head of fixed interest at Hoare large shifts in cash bonds by institutional investors, others said cash activity remained thin, with most of the action taking place in the futures pits.

European bonds have shrugged off sharp declines in

US bonds. "The markets' resilience on Friday and yesterday has reawakened the decoupling between US and European yields," Mr Stephen Dulake, bond min-gist at PaineWebber in London. However, he added that haven't seen this untrend confirmed by investor ship, and I feel there are still

many reasons to be cautious." Mr Dulake said it was unlikely that European bond yields could fall on a sustainable basis unless IE Imile recover or at least stabilise. Several key US statistics are

Treasuries bolstered European behind some of the buying. strong risk find further bond markets.

Over the last two trading declines in the US could undermine European bonds", he

> French bonds rose sharply yesterday, outperforming their German counterparts after underperforming them last The September notional French government bond future on Malli num by 1.12 points to 115.68.

Sentiment was boosted by positive data, showing June inflation unchanged = 1.8 🛌 year-on-year, and by foreign buying, traders min. Moreover, last week's successful bond weller has less like market a healthier tone, a dealer said.

HEW INTERNATIONAL TONE ISSUES

strong risk find further day, boosted by buoyant continental European markets and overseas investor buying. The September long gilt futures contract on Liffe rose by

points us 101%. The was further cheered by a Gallup report if leading UK investment funds for Smith - Court, which many fund manare becoming increasingly bullish about gilts and ness as a buying opportunity.

■ German government bonds also benefited from the flight to safety by investors. The Sepon Liffe rose by 0.83 points to

Hindalco prices global offering

By Tracy Corrigan

Hindalco, India's largest private-sector producer of aluminium, priced its \$100m offering of global depositary receipts (GDRs).

The Hindalco GDRs were priced **\$24**, compared with a local closing price on Thursday of Rs825 (\$26.26), which represents a cent. The GDRs are currently trading at \$25, according to lead manager Lehman Brothers.

The deal is one of a handful

of offerings by Indian compasince the Indian government was forced in May to postpone planned The Videsh Sanchar Nigam (VSNL), the state-controlled telecommunimonopoly, when investors balked at the proposed

been priced at a discount of 5 to 15 per cent below the market rate. Also in Dipeline

Since then, most deals have

rants for Tata Engineering and Locomotive Company (Telco). Boston. A number of other deals are planned, but dealers said that only specialist fund are currently buying paper.

• The National Exchange, which opened for business in Bombay last week, has given a new los of life the Indian debt market, writes Naazneen Karmali in Bombay. its launch, the NSE has recorded transactions worth Rs300m, a rather insignificant amount compared with the Rs2bn of deals traded

However. Dr R.H. Patil, managing director, mates that daily volume will be in the region of Rs5bn by

daily by stockbrokers over the

Set up at a cost of Rs250m, the NSE has been promoted by a consortium of insurance companies, financial institutions

Traders brace themselves for a rush of new issues

BONDS

By Tracy Corrigan

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WOO TELECOM

15/8

Traders are bracing themselves for a rush of new issues this week, despite continuing nervousness in the bould gov-

To start the week, Italy's \$4bn offering of floating-rate in dollars, D-Marks and was officially launched. and is due to be priced today. The \$1.5km portion denominated in US dollars will have a discounted margin of 11 to 18 Libor, while tranche, totalling DM1.25bn, will priced give a discounted margin of 12

to 14 points over Libor. The smaller size and more generous indicated pricing of the D-Mark portion reflects the weaker demand for D-Mark FRNs following last week's large offering by Portugal.

three-month D-Mark Libor, became a system as expect rates to fall within six months. However, the said there is still some way to go before the

issue is fully placed.

The pure tranche, the largest of the three of Y175bn, will be priced at 8 to M basis points over Libor. The larger size and INTERNATIONAL

tighter pricing w www. tranche reflects the strength demand, mainly Japan where investors still have a lot of cash to invest in the market, according to one of the lead

managers.

That tranchs has already been exhausted, dealers said. The easiest sales were into

point we Libor, but their issue will differ. Also in the yen sector, the Kingdom of Spain launched ■ Y150bn issue of 10-year bonds, priced to yield basis points the comparable J

Nikko Europe.

Dealers said the fixed-rate offering was targeted at a totally different group of inves-tors, so the issue did not compete for attention with Italy's Coating-rate transaction. However, 10-year matu-

rity of the Spanish deal proved investora, given the recent bond market volatility. In addition, there is some concern about the volume of paper in the yen sector. As well as a spate of smaller offerings last week and yester-day, Crédit Foncier de France

BOTTOWER US DOLLARS US DOLLARS Republic of itsly: Nan Ya Plastics Corp.(g,h)\$ Formosa Chem. & Fibraig Di Merfil Lynch/ UBS UBS UBS [Seco./Europ Jul 2004 Paribes Capital Markets Full International Finance Deutsche Bank/Mertil Lynch Republic of Italy: 1200 ITALIAN LIRE Corp. 100bn 10.125 FRANCS TOUSING CO.(6)*** Cotar Co.(1)*** Bectricité de France 0.125# 100.00 Sep. 0.125# 100.00 Sep. 6.125 102.125 Aug. Daiws Secs.Bank (Switz.) Nomura Bank (Switz.) Swiss Bank Corp. First terms and non-catable unless stated. The yield apread (over relevant government bond) at learns is supplied by the lead reanager. 4:4-Private placement. \$Convertible. \$Floating rate note. \$Sant-canual coupon. R: fixed re-offer price; fees are shown at the re-offer tered. e) 3-min Libor. 4;%. at) 1st coupon 6-min Libor. b) Priced today at discounted margin of 11-13bp. 8-10bp and 12-14bp for \$, Yen B D-Mark transcript respectively. c) Flobing: 13/7/94. Core prem Indicated at 10-15b. Cellable from 28/7/95 with 4 ym of subject to 150% rule. a) Rading: 15/7/94. Final reclimption in Yen. Cellable on 30/3/98 at 102% falling 9/96as. Cellable from 31/3/95 aubject to 150% rule. Conv price referring Aug. 8, if Fining: 14/7/94. Cellable on 30/3/98 at 102% falling 9/96as. Cellable from 31/5/95 aubject to 150% rule. Conv price referring Aug. 98, if Fining: 14/7/94. Cellable on 30/3/98 at 102% falling 9/96as. Cellable from 31/5/95 aubject to 150% rule. Conv price referring Aug. 98, if Fining: 14/7/94. Cellable on 30/3/98 at 102% falling 9/96as. Cellable from 31/5/95 aubject to 150% rule. Conv price referring Aug. 98, if Fining: 14/7/94. Cellable on 30/3/98 at 102% falling 9/96as. Cellable from 31/5/95 aubject to 150% rule. Conv price referring Aug. 98, if Fining: 14/7/94. Cellable on 30/3/98 at 102% falling 9/96as. Cellable from 31/5/95 aubject to 150% rule. Conv price referring Aug. 98, if Fining: 14/7/94. Cellable on 30/3/98 at 102% falling 9/96as. Cellable from 31/5/95 aubject to 150% rule. Price Pr

Japanese are still keen buyers of yen assets at the right price. The yield spread on the Spain

Still to come in the dollar are global offerings if \$1bn 👪 \$1.5bn for Finland today and III I for MAN Mac, In US word by Wednesday.

I Up to 5 years (24)

5-15 years (22) Over 15 years (3) All stooks

Up to'8 years (2) Over 5 years (11) All stocks (13)

8 Debs & Loans (75)

FT-ACTUARIES FIXED INTEREST INDICES

121.70 141.26 179.78

188.42 171.13 171.84

Dey's change %

+0.87

+0.05 +0.22 +0.20

+1.41

400

177.55

100 100

171.05

127.78

Dealers said sales of these transactions are likely to be skewed towards the US as European investors could be discouraged by the continued weakness of the dollar.

2.03 2.28 2.35 1.84 2.20

5.82 5 yrs 6.71 16 yrs 5.57 20 yrs 7.36 8.45

Up to 5 yrs Over 6 yrs

2.66

Budapest exchange plans forint interest futures

The Budapest Commodities Exchange (BCE) will introduce trading in forint-denominated interest rate futures in October, the exchange's head said, Reuter reports from Budapest.

The futures are expected to be for three months, inth sixmonth in nine-month verbe introduced ... later date, said Mr Szergej Keresztesi, chief executive of Arutozsde, which operates the

exchange. Because of uncertainty about the central bank's interest rate policy inflation, setmedium-term i a a risky Hungarian banks, Mr Keresztesi said.

Jul 11 III Yr. ago

3.87 3.60 3,51

However, interest rate futures will allow banks and businesses to hedge themselves against the uncertainty, added.

"[With the introduction of the futures] the risk will disappear for we banks...and for the general population " he told reporters. The smalles underlying

amount of a lemma will be Ft1m. Purchases un margin will be allowed. Settlement will me in comb. The new land are the Mast innovation from the

BCE, which now in grain,

meat in foreign exchange

8.72

Jul 11 Jul 8 Yr. ago

2.89 2.20 3.78 3.33

7,09 5,111

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S year yield _____ IS year yield _____ 25 year yield _____ 11 Jul 8 Yr. ago Jul 11 Jul 8 Yr. ago Jul 11 Jul 8 Yr. ago

July 7 July 6

9.57 9.71 8.41 8.47 WE SE 8.39 9.54 9.07

8.81 7.44

6.50 LVI

8.47

Japan, which is not surprising is expected to launch a Y75hn In order to entice investors, given the current strength of Y100bn deal, also maturing issue widened by one basis the yen," said one trader. All three tranches will pay it the first coupon will be set over six-month rather than in 10 years, later this week. point to 26 basis points, according to lead manager Nikko. However, dealers said the WORLD BOND PRICES BENCHMARK GOVERNMENT BONDS M NOTIONAL ITALIAN GOVT. BOND (STP) FUTURES (LIFTE) Life 200m 100ths of 100% 8.000 09/04 7,250 04/04 6.300 05/04 8.000 12/04 8.000 05/04 8.500 04/04 8.500 01/04 8.500 01/04 7.97 9.31 8.80 6.90 7.05 10.80 3.82 95.2700 95.5000 82.0500 95.2700 -1.050 95.5000 +1.510 82.9500 +1.510 83.6500 +1.040 83.6500 +0.360 11 104.9330 -0.460 93.0540 -0.850 92.1000 +0.860 83.6000 +1.000 104-98 +32/32 98-20 -8/32 83-62 -8/32 83-62 +0.860 -1.050 ___ But, vol. Open Int. 10.0 Beigium Canada ' Denmerk France 103.30 102.10 -0.18 102.00 III ITALIAN GOVT. BOND (STP) FUTURES OPTIONS (LIFTE) Lite200m 100ths of 100% - CALLS PUTS . 5.80 7.06 1.89 2.22 6.91 7.05 10.77 10.81 6.80 7.45 7.72 ECU (French Govt) HE NOTIONAL SPANISH BOND PUTURES SASTE Transury Site and Bond Yelds 4.40 4.83 6.04 6.55 III NOTIONAL UK GILT FUTURIS (LIFFE) 250,000 \$2nds of 100% BOND FUTURES AND OPTIONS III LONG CILT PUTURES OPTIONS (LIFFE) 250,000 54ths of 100% 1,797 III LONG THEM PRINCH BOND OPTIONS (MATIF) M NOTIONAL GERMAN BUND PUTURES (LETTE) DN250,000 100ths of 100% Low Est. vol Open Int. 92.21 Total 146038 1185 : 8334 99-05 100-00 But. vol. Open int. PUTS — Sep Oct 1.47 5-28 | Shorts | S Notes int Pland Price 2 + or - High Low 8.22 8.62 10885 10.10 1137, 17.29 75,537 18.53 1095, 7.59 8.35 1095, 8.18 8.50 12253 8.18 8.50 5531 18.95 8.67 1095,101 8.48 8.42 1005,101 8.48 8.42 1005,101 8.48 8.42 1005,101 8.48 8.42 1005,101 8.48 8.42 1005,101 8.59 8.40 10482

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OFT to

charges

By David Wighton

investigate

Healthcall

The Office of Fair Trading III

investigate allegations of

anti-competitive practices by

The OFT said yesterday that

charges regarding Healthcall's relationship with the British Medical

preliminary inquirles" into

Healthcall, the UK's largest

provider 🔳 out-of-hours

it would make "

treatment of potential

competitors. Mr Maurice Henchey,

Healthcall's chief executive,

lim allegations as

the National Realth

Healthcall threatens to cut

are planning to set up a duty

competition.
"But if we find that they

are approaching our staff or

deputies we will make their

years ago, provides GPs with

ement first signed in 1966

the out-of-hours cover they

are obliged to supply.

Under an exclusive

the BMA promotes Healthcall's duty doctor

service and monitors its

standards in return for a fee

health miches, he and of OFT in manufact whether

um agreement falls

The OFT said yesterday that

it fell outside the scope of the

Act, because of an exemption for the provision of medical

other allegations being made

monopoly Realthcall has in

difficulty some GPs say they

have setting up co-operatives to compete with it.

managing director of Nestor

commercial rival, said that

there was only room in the

market for one commercial

Healthcall to warn doctors

co-operatives that Healthcall

might have to pull out. He also dismissed the idea

London Fiduciary

thinking of setting up

in many smaller urban areas

duty doctor operation and that it was reasonable for

Dr John Cockburn.

Medical Duty Services,

Healthcall's smaller

many urban areas and the

These centre on the effective

services, but added that it would look at some of the

against Realthcall.

Restrictive Trade Impating

Ms Primarolo, shadow

set at 0.5 per cent of reven-

lives difficult," he said.

Healthcall's duty doctor service, started almost

off its service to doctors

doctors co-operative in

He denied suggestions that

by the back door".

doctors which came 🖿 📭 market in May.

Tight cost controls benefit Low & Bonar

By Tim Burt

Low & Bonar, the packaging, plastics and specialist materials als group, yesterday unveiled a 42 per cent increase in interim profits following a sharp improvement in sales and productivity.

Contributions from new subsidiaries and tight cost controls helped lift pre-tax profits from £14.3m to £20.4m in the six months to May 31, on turnover up 18 per cent 🕍 £201m.

Mr Jim Leng, chief executive, said such subsidiaries -dominated by Cereal Packaging and CMB Carton Systems had turned the group intoBritain's largest food carton manufacturer and a market leader in Europe

"We're modestly proud 🗐 results. got very good operational gearing and margins have risen in all three divisions," he said. His comments prompted a

16p rise in the shares to 403p. The strong performance -led by its UK-dominated packdivision – was held back only by continental Europe.

Although unfavourable exchange rates wiped £500,000 off group profits, the packaging business saw profits surge by 75 per cent to £3.4m in Europe and by 12 per cent to 22.8m in North America.

Currency group's plastice and specialist materials busiwhich together accounted for 48 per manda profits. If those divisions, the plastics business reported profits of \$2.2m (£1.6m) in Europe III £1.4m in North America.



Jim Leng: his comments prompted a 16p rise in the share price

rials business, which manufactures products including floor coverings for civil aircraft and fibres for millirial hockey pitches, me 9 per led m in Europe, although it made small loss in the and Canada.

The figures non management by a sale in internal payable min Em la Maim na lini group him borrowings from £16m, equivalent to Earnings per share 33 cent 13.59p | 101 and

as Estados Dividinas di 8,20 RESIDENCE.

Low a should are be

conglomerate weighed down by eight divisions into a tightly focused three-pronged businame Unglish of acquisitions, it is strengthened Ill and has enough seway la mala minim purinitime coming by the market. Mr Leng, however, has earmarked some "under-performing parts # the bust-His record suggests be all alter that aim and form for pre-tax profits were yesterday III July for the year. The shares, on w multiple 13.3, remain at

It has transformed itself from a

MR Data shares fall 19% on sales delays at Memex

Shares in MR Data Management fell by 19 per below expects The shares closed down 33n at 144n after the

data transcription and document image processing group issued a trading statement. However the statement added that the second

Yesterday Mr Mike Elliott, chief executive, said these orders had still not been received by

It is two orders have been delayed of the European Union's lengthy requirements for public contracts. A third order is expected to be confirmed shortly from the US.

After appointing independent consultants to Memex's and prospects, MR Data's board said it was that Memex is well placed to take advantage of the increasing emphasis on law enforcement in the UK and III and markets for unique text

In addition, the board said the cost of reorganising the group's management management geographic information systems businesses was higher than expected and had adversely affected the results for the year to end-June, but

will lead to significant ongoing savings". In an apparent attempt to reasons investors, the board added yesterday that the group's core business was now performing well. It intended to a least maintained final divi-

An efficacious formula

Daniel Green on Smith & Nephew's new found prominence

Smith Nephew

here are few happy investors in the healthcare industries these days, but shareholders in Smith & Nephew might at have a half-smile on their

S&N's have outper formed the falling FT-SE 100 index and 🚺 pharmaceuticals sector by more than 10 per cent this year.

unhappy pharmaceuti-cals has been hurt by falling margins because those who pay for drugs - insurance companies in the US and governments elsewhere - are bearing down on healthcare costs. The profitability of the drues

industry, where operating margins of more than 30 per cent are typical, makes it an obvious target for efforts 15 cut

the work of political who who who is of privatising But S&N seems to have been relatively unaffected. Annual sales in 1993 were £949m, up 11 per on IVI Pre-tax profits before exceptional immediately it hears that they rucha, up M per cont

Perhaps important, trading profit margins 17.1 per last year trending again this year". Mr John Robinson, tid executive. He mp in they are likely to stay in the 17

happy with its found prominence. It im struggled its shrug all its image of slow-moving pedlar of bandages and many ur meterd magic lufted to blockbuster drug sales, Use company's shares have outpaced by the Glaxo and The turnround Use year

and of the very different of seem product man Drug companies rely on a handful M big sellers for their manual Trouble with one can makis incline whole pursping. vital in the future of the ing growth in healthcare, mai gives will a ram defensive

Almost two thirds of sales are in four sectors: Casting and support. These

joint bracing below and modern versions of the plaster 🗀 🗷 🔣 says II ia 🖼 supplier, ahead of the US. Sales in 1993 were Flent, up from Ellim a year arthroscopy.

The are fracture repair

ATHELNEY TRUST,

smaller companies investment

vahicle launched by stockbro-

ker Dunbar Boyle 🖺 Kingsley,

anale its debit under mie MSS

11 50p. The lift has been

extended, reflecting the

18). Earnings per share for the months to 1 30

num 0.45p. Me interim divi-

CHAMME WILLSHIFE IN

received acceptances for 90.2

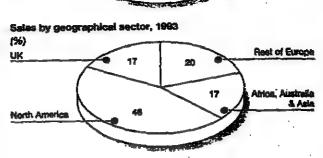
per ment of the upon offer.

Shareholders acquired 2.14m.

ordinary shares and little insti-

denti is decimant.

Sales by product sector (continuing operations), 1993 Orthopascic implants Trauma & arthroscopy Eya & ear implants peciality gloves



and keyhole equipment. Mill man it is me and first respectively in sales competing against lim likes of Stryker of the US Zimmer, part of Bristol-Myers Squibb, and Mr drug surprey Sales left you were and the latest the lat

Orthopaedic implants, mostly mindred in and hips. This II a fragmented Howmedica, part of Pfizer, Inc. un drugs company. SeeN min last me were £118m [Mark] weak, especially in hip implants. "We are vulnerable

there," he was management, mostly specialist dressings for skin ulcers and pressure scres which often afflict the bedridden. Maria led per were III (£127m) and S&N II is in behind in 13M and Johnson & Johnson.

Other products include consumer goods such as Lil-lets tampons and Elastoplast plaseye and ear implants and surgical gloves.
Some of these products have

defining characteristics in Nurses must trained to use specialist immeing, so ■ hospital manufi office cheaper dressings would to bear in med costs of retraining.
Nevertheless, Mr Halland

Mede IIII Um is price

competition in especially in the US. II. has tried in minimise me all in three ways by denominating on high-margin, high-technology products in which S&N is a world leader; by broadening the group's geographical base; and by increasing research and development efforts.

in 1992 S&N and the Nivea cosmetics brand in Germany. II in no longer in simple produced in any which the tries prices.

in trying in expand in Europe, especially Ger-many its European market share is low - arms t half Marin and are in Firth Ameras and only use like in cardlnental Europe. The region li controls limit tended to focus un cutting drug bills rather than hospital me

And in May it set up joint
Advanced
a Californian biotechnology company, to develop ■ of growing living cartilage in Une laboratory. A product, which would be surgically patient's knee, is related to be and sales mild reach

ur limin is convinced this will maintain the company's outperformance,

LABATT ICE Beer, a Carallin

premium lager which aiready proved a big success in

North Aban and Japan, is

now being with in the UK.

Labatt's product | chilled

until ice crystals begin 😉 form.

result is strong with by volume.

MARVEL ENTERTAINMENT

acquiring Group, Modens, Italy. Panini

is well known in it album,

and curd until miles for

NSM said that of the 42.9m new

ordinary shares at 100p each in

rights 27.4m shares per cent of the - had

been taken up by shareholders.

The balance had been taken up

DEPARTEMENT DE LA GUADELOUPE EMPRUNT OBLIGATAIRE

EMPRUNT OBLIGATARE
DE 50,000,000 FRETRANCHE À - A TALIX
VARIABLE ECHEANCE
1999 (OBLIGATIONS A)
EMPRUNT OBLIGATAIRE
DE 50,000,000 FRETRANCHE B A TAUX
VARIABLE ECHEANCE
2000 (OBLIGATIONS B)

For IIII period July III, 1994 to January 09, 1995 the new rate has been fixed at 6,85937 % P.A.

Next payment date : January 09, 1995 Coupon nr : 1

Amount:

FRF 35249,54 for the

denomination to FRF 1 000 000

021 423 3018

Powerline

by the sub-underwriters.

children.



John Robinson: trading

but some analysts are not cor

Mr Stuart Adkins at Lehman Brothers, the stockbroker, ers' market. "There is price pressure yet to come for Smith & Nephew," he says.

Even relatively high-technol ogy medical goods such as hip implants are subject to heavy competition "near "near modity status". Investing in biotechnology companies is necessary but not mental for

Mr James Calverned M Found Govett, the stockbroker, optimistic, arguing is more accuston inim drug companies in the tendering process increasingly used by cost-conscious healthcare buyers.

Lower margins make it less of a target for bargain-hunting clients, and in any case the S&N sales eller includes cost benefit analyses, an area still new to mos healthcare suppliers.

Either way, it is clear that S&N is in a race against time. It was sall more in hard and harvest the fruits of new research before price pressures begin in earnest and spill out from the US into Europe.

Shield incurs

£188,900 loss Diagnostics Group, biotechnology group came to market last ber, reported a pre-tax loss of £188,900 in the period from

March 31. Turnover was £1.67m. Losses we will be seen that if

incorporation in June 23 to

1.41p. Shield Diagnostics Ltd. acquired in July, announced a pre-tax loss of £326,000 for the year to end March, Turnover was £2.2m (£1.68m), with £131,000 contributed by the medical division of Cortecs Diagnostics, acquired

last November.

By Paul Taylor

A Fisher revokes scrip dividend

in April, in lim group aunounced a £51m rights in fund im purchase Rahbek,

a Danish-based

Analysis was milbel at the

time of the basis to high-yielding paper for m

acquisition, but the rights

issue was taken up by 90 per

cant yesterday, after the group warned that delays in sales orders for its Memer software subsidiary and higher than reorganisation meant full profits would be

half would show an improvement over the first

When it reported a 34 per cent decline in interim pre-tax profits to 22.66m in early March MR Data blamed reorganisation costs, lower net interest income and development costs in the

At that stage, the company said it was awaiting "significant le decisions" from police forces on both sides of the Atlantic for its Crime/Criminal Informations Management System developed by Memex.

By Andrew Bolger

Albert Filling has myddid in

scrip alternative

slump in the

processing and distribution

tion group's distribution price means

the dividend is worth sub-

stantially were to sharehold-

they had not been lost or withdrawn. "We are still in the tendering process and still confident we will be successful."

retrieval products".

dend for the year ended June 30, resulting in an increase in the total payment of 6.7 per cent.

cern over high fish prices may

have been a factor. One analyst said low produce prices in

the US, where the group does

significant business, had still

The Stock Exchange said all

scrip dividend proposals had a

get-out clause, so shareholders would not be disadvantaged by

not turned the corner.

that the BMA agreement encouraging level of support. BARONSMEAD INVESTMENT prevented Nestor competing June 30 were 109p (100p effectively with Healthcall.

makes acquisition London Fiduciary Trust, the finance leasing provider chaired by Mr Phil Edmonds the one-time England cricketer, has bought 60.487 per cent of Luxemburg Estates Company and has made an open offer for the balance on ■ 490-for-1 basis, valuing LEC

at £5.67m. LEC is a Luxembourg holding company with a portfolio of mining

LFT's share capital - traded educed, as is the nominal value of its existing shares.

CML is paying a total of £400,000 mm Integrated Micro Systems, an independent siliour chip design house. will comprise a high payment for the last of the la CML ordinary in the FIRST PHILIPPINE IN LEGAL ment Trust: the six months

April mm 106.4p, against 65.2p a year earlier. Net the period was (£67.517) giving per GREEN FLAG, the parent company of which is National

Car Parks, is making a £6m cash injection to its fledgling ery operation in France.

vehicle breakdown and recov-DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Blart (AG)int	2	Aug 12	1.76		
Bromsgrove Indsfin	2.85†	OH II	2.75		4,4
Cook (DC) §fin	0.7	Oct iii	8.0	1	900
Ellis & Everardfin	6.43	Oct 10		6.0	
Hamlet Groupfin		Sept 23	-	4	-
Low & BonsrInt		Oct U	2.9	-	100
Merchants Trustint	100	Aug 26		-	11
Tomidasfin	5.3	Oct 10		100	
Dividends shown pence increased capital, §USM	per share stock. *F	net except rst quarter.	where othe	rwise sta	nted. †On

Albert Pillurs states have cent of existing shareholders a fall in the share price, but Mind Sim Ma of Ull beginwell market expectaover the counter - is to be few and far between". All shareholders will receive ning of June, when the alternative was offered, to yesout for the continuing downthe interim dividend of 1.85p It is to raise between £298,000 terday's close of 47p, up 💵 on ward drift in Illia group's per share for the six-month and £650,000 via the issue of The shares alumped from 63p shares, although conperiod to February 28. 1 9 9 1

RESULTS IN BRIEF

RESULTS

1993

000'3 32,356

2,607

9.6p

5.7p

TURNOVER PROFIT BEFORE TAX **EARNINGS PER SHARE (fully diluted)** ORDINARY DIVIDENDS

- The profit modest improvement compared 1992. The dividend being maintained on the capital increased by the recent Rights Issue.
- Our two newly built hotels in Cardiff and Loughborough have been well received and together with the acquisition of the 90 room Hotel in Manchester they significantly expand our geographical coverage of the UK. In April the 154 room re-named Friendly Hotel in Taastrup, Greater Copenhagen was acquired.
- The Group now operates T hotels with TT Tooms and II serviced information
- Having safely and successfully recessionary years, we looking

'It pays to stay Friendly' For a copy of the latest Report and Accounts please apply III the Secretary,

Friendly PLC, Premier House, 10 Greycoat Place, London SW1P

the Financial Times: plans to publish a Survey on Efferprise in Wales on Priday, September 2.

Produced at print centres in Tokyo, New York, Frankfurt, Roubaix and London it will be read by senior business people and government officials in 180 countries worldwide. It will also be of particular interest to the 130,000 directors and managers in the UK who read the

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FT Surveys

AGENT SOGENAL SOCIETE GENERALE GROUP off electricity

| Proposed of the subscript potential and large proposed of the subs



Company wins greater market share and makes significant volume gains

Ellis & Everard rises 30% to £15.9m

By Tim Burt

prominence.

-- A

Statistics.

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Thomas $\mathcal{A} = e^{-\frac{i}{2} \frac{1}{2} \frac{1}{16 \log \frac{1}{2}} \frac{1}{\log \frac{1}{2}}$ Shares in Ellis & Everard rose 16p to 225p yesterday after the chemicals distributor defied historic lows in the price of some industrial chemicals with a 30 per cent profits increase.

The Bradford-based group saw pre-tax profits rise from £12.2m to £15.9m after winning greater market share and making significant volume gains in the year to April 30.

The improvement was fuelled mainly by a strong formance in the US, where operating rose 23 per cent (28m), against \$9.9m, turnover of \$363.4m

The group also made £700.000 gain on favourable £700.000 gain on favourable However, turnover rose from 5.15p, making currency transactions, which £171.1m to £183.5m and he pre-

helped offset an average 5 per cent fall in chemical prices. Mr Peter Wood, chief executive, the results had

pushed the company into fifth position in the league of leading distributors and pledged to improve that ranking with fur-ther investment in facilities in Cleveland and Atlanta In the UK, operating profits

rose by 7 per cent to £10.7m despite lom prices, especially for products such as anti-freeze and caustic soda. Mr Wood said the figures

had been held back by mat operating profile of £600,000 in Ireland and increased losses of £400,000 (£200,000) in its swimming pools equipment and chemicals business.

"significant future bene-like from Rommar Plastics, ilpolymer distributor acquired for £1.2m in January.

The man acquired three To be acquired chem, Trinity but overall capital expenditure fell from £10.3m III Male as i tough pricing environment delayed plans The plans, including the

redevelopment 🖃 🖿 🛗 Yorkshire storage tank facility. are expected to be completed this year following a recent upturn in chemical prices. 30 per cent to 13.4p (10.3p) and the prospect of a recovery in prices persuaded the company

in III is final distant in

heen offered a scrip alternative for the second successive

The international distributor has moved swiftly to shore up its activities after seeing chemprices fall by 25 == == against the 1990 average. It has delayed some large capital spending overhauled its sales team in forged partnerships with suppliers such as BP and including from reduced its exposure to price volatility, while also ensuring a product range wide enough to reduce the burden of environmental regulations on some moving upwards, profits this expected m multiple of 14.6,



Peter Wood: UK results pegged

making the shares one of the cheaper options in the chemi-

AG Barr tops £2m and pins hopes on good summer early on US buy

By James Budon

AG Barr, the Glasgow-based company which manufactures Irn-Bru Tizer, yesterday pre-profits april 30 pared 21.61m for equivalent

period of Incress.

The restatement, from £2.1m, follows a decision to apportion marketing expenditure according to turnover levels instead of charging it when it occurs. Turnover fell 4.5 per cent to £40.1m as the company turned away business in retailers' own

label hrands because of the low prices on offer from the big supermarket chains. Own label brands normally make up about 10 per cent of Barr's turnover.

Mr Robin Barr, executive chairman, said current pricing levels were too low to provide manufacturers with a satisfactory long-term return. Competition in own label brands was intensified by the introduction in April of Sainsbury's Classic

AG Berr says its own brands, where profit margins are higher, had a 2.5 per cent sales increase in the half year.

weather, particularly in the south of England, presaged better weather for the rest of the

had a disastrous effect on sales, he said.

dend is being increased to 2p (1.75p). The shares closed up 7p at

NEWS DIGEST

Hamlet advances to £5.3m

Hamlet Group, Lie Enline market listing last October, reported pre-tax profits 25.31m for the year transl March 31. This represents a control of T per cent on the for the previous 11

months. Wr Malcolm Dagul, chairman, said with wes the four-

Group English was till to were 11.7p (10.93p). The proposed dividend 🖬 4p.

Mr Dagul by 65 to group to the the sion programme.

Blue Circle invests in Chilean terminal

Blue firm Industries, firm is investing (£13.1m) through subsidiary, Cemento Melon, in a terminal to supply the Chilean cament

Blue and said the move would internally general sources. company also

the sale of its direct build residential business, light Homes, a company owned by a group of private investors, for £7.5m.

TBI makes £13.8m property sale

TBI, the and development company, has sold its office building at Borehamwood, Harts, for £18.8m in cash to Fostel, generating a £1.06m surplus to the net book

The rental income from the by Consecutive of building, which totals 79,502 sq ft with 286 parking places, is for subsidiary Hamlet \$1.17m per annum. Proceeds will be used to reduce bank

Select Appointments expands in Canada

Select Appointments (Holdings) has announced its fifth overseas acquisition in the past year, with the purchase of Canadian recruitment com-Reliance Resources Group, for up to C\$5.5m

Select has acquired an 80 per cent interest from the former sole shareholder and managing director of Reliance, Mr Dave McDougall.

Select, which has been 90 per cent owned by a Swiss investor graph many time, has about undertaken ill gumum the repayment of loans made to here by the vendor, not

Mr Barr said turnover during the first nine weeks of the sec ond half had followed the same pattern as that of the first. But he hoped the recent warm

Last year's poor summer had

Earnings per share emerged at 7.95p against a restated 5.91p and the interim divi-

In the year ended April 30 1993, Reliance reported sales of C\$19.3m and profits before tax and Mr McDougali's remuneration of C\$1.2m.

Select reduced pre-tax losses to £642,000 (£950,000) in 1993, on turnover 60 per cent higher at

£3.5m disposal for Brent Walker

Brent Walker yesterday announced it had completed the sale of the assets, business and goodwill of the Westchiff Sporting Club and Westcliff Leisure Centre at Westcliff-on-

The purchaser is RJ Bown (Holdings) and the consideration is about £3.5m, payable on completion. The proceeds of the sale will be used to reduce group bor-

Cairn Energy cuts **US** holding

Cairn Energy, the oil and gas exploration and production company, has placed 824,000 shares in Cairn Energy USA raising a net £3.9m. a result, Cairn were holds about 54 per cent of

Cairn expects to sell further CEUSA shares in a US placing dependent on the proposed acquisition I III off and interests of Aenees Group by

Unidare settles

Unidare, the little-based industrial group, yesterday announced agreement and completed a transaction with the former isfy its obligations under the share sale and purchase agree-ment in respect of the deferred and performance-related con-

Unidare bought Nasco, a US welding and safety distribution business in May last year.
The settlement, which is 15 months ahead of the date pro-

vided for in the agreement, was for a total payment (excluding costs) of IE7.1m (E7m) which, under the purchase formula implies operating profits at Nasco of \$8.1m (£5.32m) in the year to June 1995.

Half of the payment was funded with bank debt, with the balance being satisfied from cash accumulated in Nasco since its acquisi-

Following this payment the The a total cost to Unidare of the at 265p.

this matter.
The description is the outcome had characted limits for Unidare, including III elimination uncertainty to the potential gearing and goodwill written off in the balance sheet and removal of potential conflict of interest for the management - nine of whom shared in part of the

Pollowing ill transaction, Unidare's gearing at September 1994 is expected to be between 50 per cent and 60 per cent, with a fall to about 40 per cent by September 1995.

Unidare also announced it had reached a settlement in respect of a dispute between Nasco and the US Internal Revenue Service, the effect of which would be that Nasco would incur no tax charge in the current financial year and would realise total tax savings of about \$2.4m, which were not foreseen at the time of the

The shares rose 10p to close

Motor boost helps DC Cook to £2m

A per cent with the numbers of Cook Holdings to report pretax profits of £2.21m for the cent. year to April 30 compared with losses of £132,000, restated for FRS 3.

There was also a 2576,000 fall in interest payable to £908,000 the period by 2670,000 bringing gearing down to 60 per cent. However the results were held back by increased losses in the UK and Spanish prop-erty divisions. The UK side, which includes the shopping

centres, saw losses increase from £498,000 to £585,000. In Spain, where no sales were completed during the year, there was a loss of 2829,000, compared with profits of

Mr Derek Cook, chairman of this USM-quoted company, said that motor turnover was up 40

division's operating profit advanced in initial (£2,95m) www margins rising from 2.9 1 3.9 pm cent.

Group was un 83 cent #1 £143.4m (£108m). Earnings per share came out at 3.6p (0.44p). A final dividend of 0.7p is recommended making a

total for the year of 1p (0.5p). On prospects Mr Cook said the motor division was continuing its strong performance with new car sales in May un 52 per cent compared with an overall national rise of 10 per cent. He was also confident that there would be an improvement in the non-motor activities having substantially reduced UK property stocks and adapted to changed trad-ing conditions in Spain.

Bill Fulton.

the US and Japan. Turnover was 2977,000

at 40p.

to reduce links with S Africa

By Andrew Bolger

Charter

The proportion of shares held by South African investors in Charter will fall from 20 per cent to M per cent as a result Il last month's £93m rights in in diversified industrial congiomerate.

rights in 1-for-4 issue, made to help fund Charter's mended £390m offer for Esab, the Swedish manufac-

turer of welding products.
The rights issue was in the units. The prospectus said South Africans would be able to sell their entitlements, nil paid, in London but if they did so they would be obliged to repatriate the proceeds to South Africa in commercial

The South African authori-ties have now granted a listing for all the units in Johannesburg in nil-paid form with effect from yesterday, so inves-tors will be able in sell their shares without suffering any

adverse currency effect. The acquisition, which more than doubles the size of Charter, is the culmination of a restructuring which last year unwound its links with Anglo American Corporation, the South African mining group, by unscrambling its ties with Johnson Matthey and Minorco.

Charter's offer was agreed by Incentive, the Westlink group and Esab's shareholder, which voting rights. Land has allen bought mares in the market to increase the share of Esab's voting rights it has secured to 52.7 per cent.

Loss of £1.5m for Drew Scientific

Drew Scientific, the medical technology company which was forced to issue a profits warning six months after its stock market launch last year, turned in a pre-tax loss of 21.49m for the year to March 31 against a comparable profit of £151,000. "The loss for the second half

was less than the first but remained substantial," said Mr Trevor Barker, chairman, retirement through ill-health. He will remain a non-executive director and will be replaced as chairman by Mr

The problems associated with the Glycomat testing equipment, which led to the product being temporarily suspended and resulted in the profits warning have now been corrected. Sales improved in the second half, but have been carticularly disappointing in

The loss was charging research and devel-opment spending of £503,000. Losses per share came out at 6.1p. The shares closed down

Bromsgrove falls to £7.2m but confident

By Paul Cheeseright, Midlands Correspondent

Bromsgrove Industries, the specialist engineering group, yesterday sought to both the market and 📧 shareholders, as it announced lower pre-tax profits in the rem

This compared with previously record record in 1990-91.

"Strategically and financially, are making very Bromsgrove is engineering group with strong balance sheet, strategy," said Mr Bijan

Sedghi, the chairman. The results were in line with market expectations. The shares, which have been lanthe bottom of the year's trading on a on a p/e of 11.3 and yield ent, gained 3%p

91p.
This than balf the price touched the balf the collapse il Land 1987, but I now 72.6m shares in Mr Sedghi took as chairman la January 1987 were 25.7m; now they are

The numbers with the expansion of what was an aluminium founder, unhealthily dependent on the then Austin limit for its maker component However, wind in more. Bromsgrove in far men interin products like paedic implants, and valves, golf

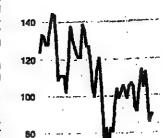
Per the thurstotters this expansion in never

Recently The been rumours of a revolt in the making, following Bromsgrove's appointment of Smith New Court as its broker, and the resignation of Albert E Sharp. However nothing has hap-pened and Mr Steven Mills, the managing director, said yester-day: "All institutions have hald or increased their holdings in the last three months."

But he acknowledged that "there may have been a little

is uncertainty. Bromsgrove has always be bobbing will weaving. Companies have moved in and out of the group with bewildering speed. Finan-

Share price (pence)



1990 - 93 Source: FT Graphite

in be in one stage. Then they not Environmental services had an promise in revenue stream but not, a it

turned out, ile reality. There is the transfer of the distinct phases in Bromsgrove's development is Mr Sedghi, which mirror business

The first was the conglomer ate, or, as the annual report had it, "an industrial holding which oper-within the parameters of

carefully formulated policies". The which reflected the contemporary canon of retreating in min activities began in im when Bromsmarshalled subsid-into six in and closely in which I wanted

Further reorganisation and of group's automodia and environmental plan from reduced the diministra to three and limiter tightened

the definition. The financial gearing w 7 per at my year-end 17.5 pr and now, putting the in a comfortable finanposition, from which it should for it issue paper.

For that, the stock will offer it. The abun-

been a factor in the price librar.

The market will also be cheered by accelerating group year budge mirror.

Group himser for 1993-94 came to [12] (£110.9m). Earnings are the 7p (7.7p) and the proposed final dividend 🕍 2.85p, making a were thing 4.5p (4.4p).

Barr & Wallace £11.8m disposals

Barr Wallace Arnold Trust, motor distribution, leisure and repayment of company holiday group, is to sell Chancellor Court, a freehold property, to Barclays Nominees

(George Yard) for 29.6m, payable in cash. The company is also proposing to sell Trust Leasing to Mr Robert Barr, its managing director, for £2.15m cash, being

and repayment of company

The sale is subject to shareholders' approval. The disposals are being made to allow the company to concentrate on its core to reduce net borrowings from £15.9m to about £2.4m.

HYPO FOREIGN & COLONIAL PORTFOLIOS FUND Société d'Investissement à Capital Variable 14, rue Aldringen, L-1118 Luxembourg R.C. Luxembourg B 25 570 NOTICE OF MEETINGS

NOTICE OF MERTINGS

I) Notice is hereby given that an extraordinary general meeting of shareholders of HYPO POREIGN & COLONIAL PORTFOLICS FUND. SIZA will be held at the registered office on 21st July 1964 at 11.00 a.m. for the purpose of resolving about the amendment, subject to expressly the competent supervisory authority, of Article 10 Hz in of the Articles of Incorporation so as to read as followed any other country in Europe, the regulation comprising at former, and any other country in Europe, the regulation comprising at former, and sometimes are the menting to be stated in the state of the state

To hearland

it is Management Report of the Directors,

the met and the statement of operations and

changes in net assets for the period ended 31st March 1994.

To approve the payment of a dividend on shares of the following sub-funds:

Sterling Equity Portfolio, Asian Equity Portfolio and American Smaller Companies Seem to county to Directors with respect to their performance of duties during the Period onded 31 at March 1994.

5. To elect the Directors to serve until the next annual general meeting of

argaremorders.). To elect the Auction to serve until the next annual general meeting of shareholders ... Any other hus med.

The shall required with the taken at the majority of the alternal meeting is equired with the taken at the majority of the alternal meeting of



ADJUSTMENT OF CONVERSION PRICE Further to the notice dated 15th June, 1994, notice is hereby given that as a result of the Stock Split as referred to in said notice, the current Conversion Price of the Bonds will

be adjusted as follows: (1) Conversion Price before adjustment:

and 322 all per Shari VI.332.20 per Unan 18th August, 1994 (Japan Time) The Nippon Credit Bank, Ltd.

The Board of Directors





Logistics Centre. If you are considering setting up a goods distribution

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centre in southern Europe and the Mediterraneur, the ideal place is Barcelona: the largest container port in

keep ye a constant touch with the world's major financial biggest guarantee in the if your goods are dispatched the agreed time, the Port of Barcelona will refund your money. Give us a call for more details.

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More iban Ever.

Coffee market gets back to record-breaking ways

Yesterday's opening surge in London coffee futures notched up another market record. At 24 for the September robusta gest ever opening rise, according to Mr Lawrence Eagles, analyst at brokers GNL It easily beat the previous opening record of about \$500.

Just as significant as the market's extraordinary gain is the fact that the earlier record was reached in 1976, we year Brazil's coffee crop.

The second severe freeze in . fortnight has in the lar serious shortages for the most two years. That prospect has driven the market up 220 per cent this year, with a 77 per cent rise in the past two weeks alone

Traders in London with they could not remember two such severe host coming mutter together before. Although they are only just beginning in get a clear picture of the damage from last month's frost, 🐃 initial 🖿 yesterday 💶 🎫 as much half Brazil's could may be in jeopardy.

The Brazilian government had already cut its estimate for 🔚 💳 in 17m 🛶 from 📰 last Saturday's frost, The latest damage to coffee trees spread through

London Robusta, 2nd po (S per tonne). 4.000 3.000 2.500

1,500

1,000

Jan

the southern was of Parana and the Paste It also while hit southern parts 🔣 🚞 major producing state, Minas Gerais, production was moved during the 1980s to scape such freezes.

1994

One producer in a manufacture tive in the south of the state told the Harris news agency.
"This was a very hard blow for us. It was than the last

Particularly galling to farmers that the latest men which left in --- damaged in the lifet had planted at 1,000 metres or tions in order to mail the

Ms Judy Ganes, "Ill analyst with Merrill Lynch in New York, will be true prices would danger that Brazil might run out ill stocks if demand remained constant.

Supply deficits looked set to continue from the IIII season through to II 1995-96 son "at | time when producers already reduced their stockpiles 🔟 coffee". The 📰 Department of Agriculture puts the Wall deficit # 9m bags, which will were to met from producer

Furthermore, the USDA is that only about 9m of the 17m-bag Brazilian government stockpile 💷 🖿 le for consumption. "If Brazil sell 5m to 7.4m in the bill 11 months that's exhausting their stockpile,"

Brazil has suspended exports in order to assess the damage to the crop. Colombia yesterday ammused it would halt registrations for private exportthe New York market.

There mixed views about the likely impact of the price rise on production. While farmers may be replanting in hos damaged south cash in the price hours by planting more. However, they will have to wait three pas later me plantmes yield a crop.

MARKET REPORT

Aluminium touches 40-month highs

profit-taking kept ALUMINIUM prices from building on an early to 40-month highs, although still firmer and looked for advances,

The three months price reached [Les | tonne, closed # \$1,540.50 m tonne,

up just \$1. Buyers had encouraged early in by international Primary Aluminium

in member countries fell by 64,000 Eres in May; and a fall in LME warehouse stocks is expected today. Loom-supply tightness from Seponwards was also underpinning Up barat

At Ib London bullion GOLD price proffrom ___ dollar, ending \$2.60 higher M \$386 m troy

Precious Metals continued

+3.0 - 25 +3.0 368.5 8,376 +3.0 366.5 27,804

E GOLD COMEX (100 Troy az.; \$/tray az.)

although operating in In straordinary rise in coffee in and in story above), posted quite

respectable gains. The September futures posi-1. \$1,049 a tonne, adding \$38 Friday's \$22 rally, helped, some lim suggested, by "sympathetic buying" linked 📦 coffee's unce. surge.
The London Commodity Compiled from International Commodity

MRAINE AND OIL SEEDS

IN WHEAT LOE (E per tonne)

Pulp maker defends 50 per cent price rises

By Alison Maitland

The 50 per cent iii in pulp prices this whas come just in limit for the struggling paper industry, according to a leading IM pulp and paper manufacturer.

Defending price rises of over per cent for some paper cusso far this man Mr John Kennedy, president of Federal Paper Board Company of **IIIII** Jersey, said yesterday: "For the III line your wi were selling pulp at substantially below the point where we would have had to shut nem our Furth

Mr Kennedy, speaking before visit to the company's Tait mili in Scotland, an he appreciated customers' "Three four price in relatively short period is a surprise and difficult !!! comprehend," he admitted. "But when we analyse when losses over the last int to three years and where we need to M m get a reasonable return on our investment, mas what has Im happen."

Federal made a profit of

\$40m on sales of \$1.4bm year, (binki li) lii separate lumber operations. It male virtually we return on capital "Last probably IM in in industry in 40 years," said in Kennedy.

that the latrise, will take world pulp prices to \$820 a tonne this summer, would have them all below their peak of \$850 a tonne in Tra Maria

However, some are being so badly squeezed by the price rises that they fear for the survival. Hinton

Staffordshire, north-west England, which makes cardboard boxes for supermarkets, says the price of the board it buys in due to Man by 50 per and by the end of the year.

"Some 60 🔚 70 per cent of our selling price is a raw material, so in quite serious," said Mr John Weedon, managing director at his manager which has sales **£** £2.5m 'We've raised our prices by about 7 pm cent, but 🕍 marwon't bear any further increase. . . It's the small businesses that will give -

The slump in the paper industry in the law by a fall in demand, which has grown steadily over it past but by overcapacity. Following last upswing in

-

was the pa caught in the

Corrpack, a small company in at \$ to 7 per cent a year during Staffordshire, north-west the late 1980s and early about \$750m w build ■ 1,000-tonne-a-day pulp mill

> so supply is often out of kilter with demand by the time the new capacity comes on stream. "Demand has finally caught up with that Intrant in capacity," if Mr Kennedy.

and takes three to four years.

The Tait mill, which buys over half its pulp from Federal's Candles plant to make uncoated free sheet used for photocopying and computer paper - has limit more than doubled capacity in the past five to to

Mr Worth In Tait Inc been operating at or below and a half vears until Um second quarter. But this year his tendremon cent and the mill is fully stretched, with a 40-day order backlog.

Jucer

The sharp rise in demand ... much of the world emerges from recession has taken even the industry by surprise. Demand for the size paper. which had been growing at 4 E 6 per cent a year, rose by 7 in the fire five make a this The temporary ciosure of pulp mills of the North America. Scandinavia and Spain and Portugal, cou-I low customer stocks. ar squeezed supplies of pulp.

Mr Kennedy believes anothe boom and bust cycle tempered by the hugo environmental pulp and the US, we could hamper hefty in the in new capac-ity. Environmental regulations proposed in the US are and #

EU aims to short circuit subsidy payment disputes

By Peter Marsh

Carolina mill".

The European Commission body in speed of disputes with member governments winte being being through named payment of mounts under In European Inland common agricultural policy.

The amullining of the five-man municipal is man as a section affect by the commission 🚅 address the practical problems of overspending agriculture – which about European Union's Ecu70bn | bud-

The course is to be smalled by Mr II Carey, ■ former UK Treasury official He will ■ ■ militar in disputes beyond the manbella in EU member week about how much agriculture spending individcountries was my EU time in cases when the commission thinks that they have not stuck w spending

SOFTS

IN COCCIA LCE (Chann

Mr Carey in viewed an a robust, non-establishment figure and an such is expected to bring common approach in beer on difficult disputes. For the peut until 2 of 2 1 12 to 12 to 12 to 12 to representative on the latest bourg-based Court m Auditors, the EU's main spending watch-

According to the constant sion, Mr Carey 📖 🝱 🔤 probably review when M cases a mu involving disputes spending totalling this Ecolumn a year.

The other manages of the will be Mr Walter Kittel. a former official in the Compan agriculture ministry; Mr Bern ard Vial. . former inspector general in the Preside agriculture ministry; Mr Albert Simantov, a Greek who is foragriculture literate III lie Paris-based Organisation of Economic Co-operation and Development. Loreto, an Italian Treasury

The type of cases We Carey will investigate will include disputes min as a long-running argument between Italy and the mental over milk quotas and allegations ! Greece overspent by up in Ecu50m in Put through handing out subsidies to

The committee, which schedule to man in Sep-tember, will a part-time and iii judgments will unt le binding. However hoped to group would the line sions" in arguments und spending by bringing to bear outside judgments

Completing afficials also ishment of the new committee will give to the member complain about commission judgments an alleration way at presentable cases instead of going through the lengthy procedure of bringing a case at the European Court of deathre.

Nigerian supply worries fuel rally in oil prices

Robert Chales

Oil primes (all all yesterday amid fears // possible supply disruptions from Nigeria, workers intensify this week. The price of the benchmark
Blend for September

by about 30 mile. In around are barrel, in late London trading. Concern Nigerian supplies, much of destined by the US, caused the state price of the Turns Intermediate, the ILL benchmark, in rise a men in a barrel in We York trading. attributed is

oil workers, which has a far little impact a exports, male line in supply disruplima if senior employees

Mr Mehdi Varzi, oli analyst at Linden brokers Planson Benson, said recurrent market of cutbacks from politically unstable oil producers have so is the been realised. But they were "symptomatic of the mariet turning beard a buil phase", he said.

Earlier there was little man ket reaction to a report that production by members if the Organisation of Petroleum Exporting in June was more than day above its output celling

1 24.52m b/d. The Economic Survey and that a number of Opec members, including Iran, the thing Arab Emirates. Nigeria and Iraq, were producabove their quotas. Iran yesterday all it an producat IL Opec quota of Limb! d. But Mine and quota viola is by Iran and the Ulipushed Opec production is 25.02m b/d.

minute discipline among Opec producers during a period rising demand III a factor in the recent rally in oil prices from lows of around \$13 a barrel Mi February.

Analysts say 🛂 sign 🕮 🚐 on cheating could undermine prices. But many think unlikely that past markets such as Iran and Nigeria be able to sustain higher output because they are operating close to capacity.

COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE Prices from Amelographic Metal Tradings M ALUMNIUM, 69.7 PURITY (\$ per tonne)

	Cash	3 mths
Cique	1523-4	1540-1
Previous High/low AM Official	1522-3 1529-30	1639-40 1861/1636 1548.6-7
Kerb close Open int.	291,405	1541-2
Total daily turn	over 76,842	
E ALUMBIUN	ALLOY (\$ per tonne	
Close	1512-7	1529-30
Previous High/low	1510-5	1520-6
AM Official Kerb close	1506-5	1821-2 1830-2
Open Int.	NA	
Total daily turn		
III LEAD (\$ per		606-1
Cices Previous	684,6-5.5 581-2	697-8
High/low		604/583
AM Official Kerb close	\$85.5-6.5	601.5-2 591-2
Open int.	40,909	001-15
Total daily turn		
NICKEL (S)	er torme) :	<u> </u>
Closia Produces	4175-00	6265-80
Previous High/sow	6175-90 6180	6265-80 6370/6260
AM Official	6182-4	8275-80
Kerb close Open int.	58,600	6350-60
Total daily turn		
TIM (S per to		
Çiose	6315-25	6390-400
Previous	5300-10	5370-80
High/low AM Official	6306-12	\$381-2
Kerb close	5545	5390-90
Open int. Total daily turn	189,577 Over	
	al high grade (3 per t	crine)
Close	961,5-2.5	986-6
Previous	959-60	982-5
High/low AM Official	961-8	984.5-5
Kerb close		864,3-0
Open Int.	104,707	
Total daily but M. COPPER, or	rade II (5 per tonne)	
Close	Trans di	2444-6
Previous	2448-9	2487-8
High/low	2445-6	19000000
AM Official Kerb close		2459-60 2440-1
Open int.	240,207	
Total daily turn		
	Modal £/\$ rate: 1,659 g £/\$ rete:	1
	a:1.5837	Digital Services
-	E COPPER (COME)Q	
- mon wou		
Class	Day's ubanga High law	Opes let Vol
Job Marie	+0.45 110.00	2,868 418
Aug 109,85		984 14
Sep 110.25 Oct 109.85	+0.80 110.80 108.80 +0.80 110.00 110.00	32,688 7,592 322 31
May 109_50	+0.80	245 -
Dec 109,10 Tetal	+0.60 109.49 108.60	971
-		
	IS METALS	
ELONDON B	ULLION MARKET 1 by Will Rothschild)	
PARCENTE COMPTY		
		-
Gold (Troy oz.)	THE	C equiv.
		C equiv.
Gold (Troy oz.) Closs	885,80-386.20	C equiv. 247.044 246.360

B. PLATINUM NYMEX (50 Troy oz.; \$/troy cz.) +4.0 409.7 225 +6.0 409.7 11 +6.0 413.0 419.6 1 +6.1 - 1,464 1,464 # PALLADRIM NYMEX (100 Tray oz.; \$/tray qz.) +1.25 +1.25 - 780 146.79 +1.25 - 124 146 100 IN STLVIER COMEX (100 Tray 02.; Cents/tray 02.) +8.2 528.0 526.0 +8.2 528.0 526.0 +8.2 528.0 526.0 +8.2 528.0 526.0 +8.2 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 528.0 **ENERGY** M CRUDE OIL NYMEX (42,000 US galls, \$/barrel) 18,500 8,721 18.73 37.363 28,180 18.34 35,098 18.36 11.36 17.40 50,150 F8,537 17.10 44,398 13,736 12,001 4,306 17.07 798 MI HEATING OIL WHEN (12,000 US gails.; clus gails.) 48.80 30,248 12,789 48.75 20,777 6,683 51.10 1111 52.05 6,869 1,522 +2.25

147.50 151.25 161.00 159.25 1,048 1,002 903 20,637 +1.25 1,985 2,035 11,345 2,085 10,346 11,231 40.5 2.290 14.715 10,000 100 2.275 HYMEX (42,000 US galls.; c/US galls.) from E +0.57 63.60 53.30 18,187 +0.52 51.30 51.00 14.187 +0.52 51.30 51.00 14.187 55.00 55.70 3,495 WIFE 43,558 12,558 19,187 5,201 870 5,801 870 3,495 318 1,512 105 79,717 20,497

Bett Day's price change High Low +0.75 103.75 103.15 +0.85 104.50 +3.0 - 440 +3.0 390.3 355.4 58,148 29,705 58 189 106 111 108.70 +0.85 11 108.16 108.30 108.10 107.75 109.85 +0.86 108.50 109.35 111.85 +0.80 -M WHEAT CST (5.000bu min; cents/50to bushel) -0/2 316/4 319/6 5,830 6,225 -1/2 32/0 319/4 104,615 00,000 -10/2 339/6 330/4 133,280 20,935 -0/6 339/2 339/4 22,160 1,000 -0/5 339/0 339/0 1,015 290 -1/2 318/4 317/0 2,700 34/5 317/0 2,700 262,810 M MARZE CET (5,000 bu min; cents/686 bushel) 282 54,860 19,066 -4/2 231/4 228/4/275,365 52,930 -04 229/7 288/4/275,365 52,930 -04 249/4 24,46 84,406 6,660 -04 245/4 24,46 84,406 11,10 -046 248/6 246/0 27,775 2,940 199 410 25 38 -0.41 25.00 24.58 2.756 -0.38 25.00 24.58 20,025 -0.27 0.00 17,227 -0.23 23.80 11,071 -0.23 23.88 23.42 32,346 -0.18 23.90 23.48 3,382 IN SOYABIEAN MEAL CIST (100 lons; \$/ton) 181.A 181.5 POTATOES LCE (Efforms) 107.5 162 15 15 10 6 +15 +19 +15 +15 1387 1382 1415 1425 1200 1350 1415 1425

Tea
A fair demend prevalled, reports the Tea
A fair demend prevalled, reports the Tea
kers' Association. Best and good medium
Africans ruled fully firm to dearer after a
lant start while intedians were irregular with
quality. Central Africans soid reachly around dist
rates. Ceylons came to a selective market with
brighter toss steady, others 4 to 8 perces down.
There was finited demand with Ceylons other
good 160pring, good medium 148pring, medium
123pring, low medium 90pring. The linguish
price realised this weak was 271pring for a
Revanda pt.1.

+32 1042 1028 11 231 +33 1051 1032 17,700 2,848 +30 1058 1044 11 11 +23 11 1000 28,455 1,275 +25 1073 1089 11 16 +33 1077 1077 4,633 10 1405 1438 1480 1400 1417 13,874 2,506 7,522 1522 ■ COCOA (SCCO) (SDR's/lenn III COFFEE LCE (S/tonne) +740 =780 +737 3925 4000 3950 3925 3900 3500 L38 14 3700 21,699 7,953 3710 8,251 2,544 3700 9,432 1,399 8,261 2,544 9,432 1,399 387 273 ■ COPPER 'C' CSCE (37,500tbs; cents/lbs) 199.25 +9.00 +9.00 7,177 Free. day 170.45 No7 PREMIUM RAW SUGAR LCE (purts/fbg) 11.43 +0.20 - 1,116 338.50 +2.80 338.50 332.50 11 12 371.70 332.50 +1.80 339.60 308.00 904 308.60 1 307.10 1111 +1.90 - 361 M SUGAR "11" CSCE (112,000fbs; cents/fbs) 11.20 +0.11 11.11 11.16 5,498 11.14 11.10 11.09 COTTON NYCE (50,000lbs; cents/lbs) M ORANGE JUICE NYCE (15,000lbs; cents/lbs) 7.15 83.0 186 82.50 2.95 90.00 14.539 82.50 -2.95 90.00 13.238 95.50 -3.55 104.50 98.00 46.64 **VOLUME DATA**

INDICES REUTERS (Base: 18/9/31=100) month ago 2002.2 ■ CRB Futures (Base: 4/9/56=100)

MEAT AND LIVESTUCK

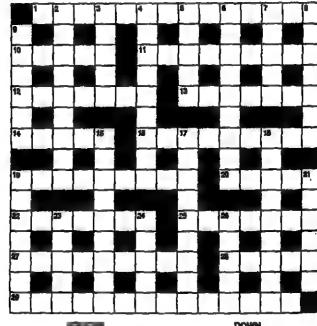
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	Sett	Day's			Djago	
	price	change	Hågå	Lger	int	Yel
-	66.890	+0.475	67.350	65,775	31,285	11,852
		+0.125			100	
Dec :		+0.175				2,553
-		+0.325				1,843
Apr		+0.125			4,963	426
Jan .	68.05E	1500	95.35 (\$7,700		143
						57 'ná r
	HOG8	CME (10,000R	M; cent	s/lbs)_	
. M.	44,400	+0.675	48,890	45.350	1,607	608
		+0.025			10.348	100
Oet		+0.550				100
Dec		+0.425			100	806
Feb	40.025	+0.880	40.075	39.625	1,110	174
_	39,050	+0.125	38,575	39.000		94
Total					23,255	6,586
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Strike i	orion S		C	elle	PL	£\$
	_					
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T COPPER				
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2450	76	99	81	
2500 ,	[.].	100	110	
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3200	906			
M COCOA LCE	Sep			
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1000 ,	73	113	24	61
1050	45	62	46	85
BRENT CRUDE IPE	Aug	-	200	Sec
1700	-			- 88
1750	21,		6	82
1600	3	•	35	-
ONDON MET	IT A	AAD!	KET	Q

3160 3207 M GOOQA LCE 975 1000	837 1 1 2 2 3 3 3 5 5 MARKE	50 50 51 65 54 55 54 55 54 55 54 55 54 55 54 55 54 55 54 54
Dubei Brant Blend (dated) Brant Blend (Aug) W.T.I. (Ipm est) III OH. PRODUCTS NWE	320-U3-J.U4	0.500
Promium Gesoline Ges Oil Heavy Fuel Oil Reprom Jet fuel Argus	\$182-184 1 \$52-94 \$163-166	+2.0 +3.0 +1.0 +1.0
Gold (per troy oz)\$ Stiver (per troy oz)\$ Platinum (per troy oz.) Paliadium (per troy oz.)	\$386.00 529.50c \$402.50 \$145.35	+2.60 +7.00 +1.50 +1.60
Copper (US prod.) Lead (US prod.) Tin (Kusta Lumpur) Tin (New York) Zinc (US Prime W.)	114,0c 36,75c 13,48m 247,50c Unq.	+1.00
Cattle (ive weight)† Sheep (live weight)† Pigs (live weight) Lon, day sugar (raw)	119.17p 98.63p 76.42p 3290.0	-1.01 -0.48 -0.03 +0.5
Lon, day sugar (wte) Tate & Lyle export Bartey (Eng. feed) Malze (US No3 Yellow)	\$338.0 2298.0 £101.0t \$143.5	+3.0 -2.0 +0.6
Wheat (US Dark North) Rubber (Aug) Rubber (Sep) Rubber (Sep) Rubber (RL RSS Not Jul)	£180.0 80.50p 80.00p 307.5m	-0.5
Coconut Oil (Phili)§ Palm Oil (Malay.)§ Copra (Phili)§ Soyabeens (US)	\$630.0z \$477.5q \$400.0 2178.0q	+3.0
Cotton Cuttook 'A' Index Wooltops (54s Super) It per tome unless attenvise s	62.00c 425p	+0.55
a standard on Malandard and		

CROSSWORD

No.8,503 Sally DANTE



I Don't give up writing in Latin 2 Surliness ! shall need to mod

10 Vessel carrying fuel from 8 Cord I had into a sort of Joint target for IRA retalia-

tion (7) 13 The way in which a French painter finally got III point

14 Animal finds fruit by river (5) 16 Return to a bed and board in dispute (9)
Left a sheet listing one's financial assets (9)
20 Drawing instrument found

among the dividers? (5)
22 Purchase anew without right to pursue payment (5,2) 25 Bore fruit but abandoned (7) 27 He banks on earning interest

scrape (5) 29 Those providing better infor-

18 It is involved in land distrib tion (1)
Sancturations

depressed (4,5) French apathy (5)

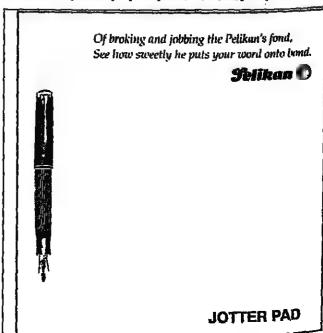
Reptile snarling at gorilla (9) Confederate States vessel (5)

painter (?) Pipe for a sound rugby player

represented

15 Not on time trade is

sporting fighter (7)
21 They sit for qualifications (6)
23 Meat jelly made with a noncontern spice (6)
24 French physicist set to rise (6)
26 Regretted caging a bird (5)





Day's High Day's Low

Loca Lan Mea

100 Bold Lending Mates (Vs USS)

344.80 355.90

\$ price 389-362 396.40-398.90 91-84

US ets equiv. 524.75 531.00 637.50 853.50

£ equiv. 250-253

59-52

+21.7

+43.

/18.

LONDON STOCK EXCHANGE

MARKET REPORT

Producer price figures boost gains in shares

By Terry Byland, UK Stock Market Editor

Confidence that weakness in the US Naples last weekend. dollar will not provoke hasty action on US interest rates helped shares move ahead strongly in London yesterday. With British government bonds also very strong as the June producer price statistics confirmed that domestic inflation remains subdued, the stock market moved to within 8 points of the FT-SE 3,000 mark before closing off the top as Wall Street made a cautious start to its new trading session.

Al 2,983.8. the FT-SE Index finally a net 21.4 up m the day, and gains across the broader range of the market lifted the FT-SE Mid 250 index by 191 to 3,473.9. Trading volume was brisk, bearing out indications that retail, or genuine invest-

ment interest in UK equities, has recovered from the nervousness seen ahead of the G7 meeting in

Equities opened cautiously behind the weaker trend in the US currency following comments from President Clinton as well as the widely-expected absence of any strong statement on the dollar from the G7 meeting. But shares soon responded to firmness in European bond markets. London was also encouraged by a

shift towards optimism on gilt-edged securities by UK fund managers, in the latest survey of investment funds by Gallup for Smith New Court, the London investment house.

Early gains were extended after UK producer prices for June, showing the lowest rise in output prices Account Dealing Dates Jul 18-

Jul 15 n/a n/a

since 1967, were seen as convincing evidence that commodity price inflation has yet to reach manufacturing producers. The UK market reached the day's

peak with a net gain of 30 points as it waited for Wall Street to show its response to the G7 meeting and the renewed slide in the dollar. Shares later canae off the top as US Federal bonds eased and Wall Street failed

of 9 Dow points in London trading and the remainder the non-Footsie

The UK market closed in confident mood, brushing off some concerns that this week's list of statistics on the US economy, beginning today with the producer price data, could still bring action from the Federal Reserve.

Much of the upward impetus for share prices came from stock index futures as the big securities houses moved themselves on to the bull after nearly a fortnight of uncertainty regarding the outlook for the dollar and global interest rates.

Consequently, the focus was on the Footsie listed stocks which are included in the baskets of shares making up the futures contracts. Of the 542.5m shares traded, around 47 to hold its early gain to show a fall per cent were Footsie-listed issues.

Glaxo pressured

Pharmaceuticals group

Glaxo saw its share price fall sharply in afternoon trading

■ US takeover left the UK giant

king potentially stranded. Eli Lilly & Co announced |t

was buying PCS, the pharmacy

benefit management (PBM)

arm of McKesson for \$4bn. PCS

is one of the last benefit man-

agers to be available and the

high price paid by Lilly was seen as reflecting the scarcity

wrecking Olassi chance in

the **III** market and putting

paid to speculation that In unintended by buy III.

However, after the

one US commentater suggested

Glaxo might a bid

tion. Many analysts Glaxo will have to invest in

PBM - which mego bulk discounts with drug companies

for user groups - if it is to

represented in an increasingly

Important was of the US mar-

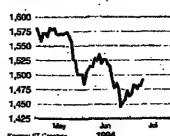
the could be a top-heavy

stocks which drive the FT-SE Mid 250 Index. On Priday, retail business in equities was worth £1.46bn, confirming the recovery in invest-

ment activity. The oil sector provided one of the few weak spots among the dollarorientated issues, which were otherwise little affected by the selling of the US currency. Interest-related stocks attracted buyers, leading building issues responding to optimism on rates in Germany.

There widespread gains across the broad range of Uk manufacturing stocks, with engineering and vehicle industry shares to the fore. Retail stocks recovered poise on growing confidence that the recovery in the UK economy can be extended without causing inflation

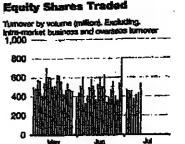
FT-SE-A All-Share index



■ Kev Indicators



1 Tobacco . 2 Engineering, Vehicles +1.8 4 Printing, Paper & Pokg.



Electronic & Elec Eqpt.,

ces and ratios				
E 100	2983.8	+21.4 .	FT Ordinary index	100
E Mid 250	34 (27.4)	+19.3	FT-SE-A Non Fins p/e	118
E-A 350	1502.8	+10.2	FT-SE100 Fut Sep	2997.0
E-A All-Share	1491.78	+9.53	10 yr Gilt yield	8.51
E-A All-Share yield	3.95	(8.17)	Long git/equity yld ratio:	217

.... +1.5

Worst performing sectors Pharmaceuriculs. Gas Distribution Other Services & Bana 5 Oil, Integrated

supply worries **US** funds in oil prices sellers of BP

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The oil majors, BP and Shell. were among the perform-FT-SE 100 index with US institutions will m been big sellers in the stocks, particularly BP, in 🛌 wake of dollar weakness.

The underperformance of the big oil issues was all the more surprising given that oil prices were exceptionally strong yesterday afternoon when August

A squeeze oushed stock index

futures above the 3,000 level

for the first time in more than

three weeks, but the contract

closed below the day's best

Calls, 4.845, Pale, 2.644

2982.0

III PT-88 100 INDEX PUTURES (LIPPE) 525 per full index point

Sett price

III FT-SE MED 200 RODEX PUTURES (LIPPE) 210 per full index point

IN PT-SE MID 200 PADEX PUTURES (CMLX) 210 per full index point

III FT-SE 100 INDEX OPTION (LIFTE) (1965) 210 per full index point

III SURO STYLE FT-SE 100 INDEX OPTION (LIFFE) \$10 per full index point.

3480.0 -

EQUITY FUTURES AND OPTIONS TRADING

Brent was some 40 and a bar-rel higher around the \$17.75 South Africa Cencor pany and City analysts, and on the same pany and City analysis and city analysis and city a Some analysts being to worry, however, that the latest with other commodities, could begin to unnerve the US and provoke moves

to mp rising prices.

BP settled 5 in a property on turnover of 6.5m, after some selling from all US houses, notably Merrill Lynch, Goldman lith and inhan Brothers. Shell Transport also underperformed but managed to post a closing gain of 2 at 694p as the market waited for confirmation of the Billiton metals business in

as London was unsettled by

a faitering Wall Street, writes

September futures contract

2891.0 202 1181

Having opened at 2,962, the

NAME EST, VOI ODEN INC.

Tomkins doubts

A strong two-way pull in conglomerate Tomkins, brought turnover shares welcome the group's robust full year fig-

Profits jumped 50 per cent to 2257m, in line with but the is per cent the distance in 7.38p ahead of expectations,

Early demand saw the shares advance to 226p, before a more cautious and in following the between the com-

on In FT-SE TIE moved

economic data on output

Indicate Inflation remained

greater manualty in currency

markets for the new positive

tone to the market. Demand

independent (local) traders and the large institutions and the

contract pushed through the

3,000 berrier to reach a day's

However, the poor opening

checked a further advance and

at 2,997, up 38 on its previous

close and 9 points above its

estimated fair value premium

to cash of about 6 points.

Traded options lacked the

strong activity seen in futures and volume fell to 23,905 lots.

The FT-SE 100 saw business of 8,724 and the Euro FT-SE

Volume was 15.720 lots.

In New York in the afternoon

have come from both

Dealers also cited hopes of

steadily ahead with UK

prices for June taken to

under control.

high of 3,012.

Explaining of retreat, Mr
Altum at NatWest Securities said there was concern in the market at the length of time it was added in integrate its last big acquisition RHM. In addition; concern to how successful the company will be in the by acquisition in However, Mr Allum edged his dividend for slightly 8.5p, and said, "the negatives are now in the share price."

the share price," But Mr Im Rennardson at Yamaichi, was more bullish on Tomkins

TRADING VOLUME

DOG price change

Major Stocks Yesterday

Groupt
Impliest
Associ. Brit. Foods
Associ. Brit. Peres
BAA†
BAY Inde.†

NEW HIGHS AND delivered to con RHM. There is no acquisition needed show continuing growth." LOWS FOR 1994

(1) TOI, ENGINEERING (2) Renold, Syless — Pictower, Torday & Centein, 1940, Vehicle 19 (1977, EXTRACTIVE BIDS (1) Impole Platinum, POCO MANUF (1) Nordeumbren, BWISTEMBETS (3) Foreign is Cot. Inc. Cruffe, LEISUNG & HOTELS (2) Bosony & Hawker, Syner (JW), MEDIA (1) Mero Redo, Ost. 2007/ORATION & PROD (1) Central Pacific, Proceedings of the Syless (1) 1841 Central Pacific, Proceedings (1) 1841 Central Pa

price and added that was more likely to follow the course of Pfizer and go for strategic alliances. The shares share, well below the mid

NEW HIGHS (50).
BULLIONG & CHISTRIN (1) Shortf, BLDG MATLS
& MICHTS (1) Short (4), CHESECALS (1)
European Colour, DISTRIBUTTORS (2)
Northmober, Polar, ELECTRING & ELECT (50).
(1) TOL EVILOREPENNIC O Broads, States (1) Ltd. Energy Wits., SUPPORT SERVS (1) Hearts! Whiting, TEXTILES & APPARES, (1)

Tony.
NEW LOWS (128).
GRITS (5) BANKS (1) BRIGHERIES (5) Gran

PROPRIES IN INVESTIGATION OF GRANT PROPRIES IN BUILDING & CRISTIN IS ARCO COID., CAMBOR, JAVIS, LOVEL (Y.S. Proving, SLDG MATLS & MCHTS (1) Hellon, CHEMICALS (5) Doeline, Engelvert,
DESTRIBUTIONS (1) Casker, European Maleir,
DESTRIBUTIONS (1) Casker, European Maleir,
DEVENSURED DEDLS (1) BTR Nyler,
SLECT EOLIP (4) Batacom, Johnson Incl.,
Scantonic, Turninel, ENGNESSIMO (2) Hill.
Smitte, Hunting, ENG, VENICLES (1) Inghem,
EXTRACTIVE 19425 (5) FOOD MARUF (5)
HEALTH CARE (1) Generater, Hemmooal,
Infarcere, Clariby Care Homes, Tameria, Tepnal
Diagnostics, United Drug, HOUSEHOLD GOODS
(8) Fino Dages Mantena Martinessimos CHEMICALS (2) Doeles, Engelvard, Diagnostics, United Drug, HOUSEHOLD GOO SE Fine Docor, Mayborn, INSURANCE (17) INVESTMENT TRUSTS (8) ROYESTMENT COMPANIES (17) LEISURE & HOTELB (8) AND PPORT SERVS (8)
3. (9) Cloressoni Germania,
Lamoni, Reedigui, Irdar, Usher (7). TRANSPORT (1) Descongroup, VANTER (1)
Welst, AMERICANS (II).

SmithKline Beecham was very heavily traded in the 'A shares as one house sold a block of around 8m just before the end of official trading. The deal was carried out at 398p a

price, and pulled it shares down from a high of 407p to lower II 400p. That the stock was mild by andth Mrw Court, the house for large aggressive

market operations. Mirror Group was the most heavily made share in the London market, rising 4 to 150p on turnover of 11m as the interest propagate alternations figures In June showed that the independent in which Mirror has a stake of just under 40 per cent, had not been NII by

the broadsheet price war. Brewing retail and land group Scottish Mewcastle fell 3 to 495p on competition worries for its prestigious Cen-Parc's operation with genaround a third company's profits. Rival Rank announced plans 🐚 open a similar - turn in Kent to S&N's in dome' unattion analysts in Center well established and Rank would not be able 🚐 compete in the way. Rank, which has first half figures on Thursday lifted 12 to

Press speculation Link lies oft-mooted plan by Bass, Whit-bread and Allied-Lyons to sell their £400m stake in Britvic had fallen through failed to the shares. The three own we cent Britvic between them.

main share holder has consistently refused comment on whether it is preparing to sell. Analysts said sources close to Pepsico, the company expected to buy the stake, had also suggested that

the talks had cooled but they believed the deal was bound to go through eventually, it was just a question of when. Bass 4 to 521p, Whitbread 7 to 504p and Allied 6 to 555p.

The prospects of demerging several II iII bull continued to boost Thorn-EMI. The shares added another 14 to 1053p. Rank Organisation were in demand ahead of Thursday's interim figures and the put 📺 12 to 374p.

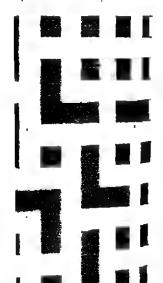
Man of the departure of Forte's director of operations was another blow to the hotels group. The 221p, after Law of Law Detailed sell notes from BZW and NatWest Securities hit sen-

timent III III stock last week. Great Universal Stores bumped up 14 to 567p ahead of the annual figures on Thursday as the market returned to lin lingering finding that IIcompany is poised to buy bed equity. Some analysts said that the company could buy back as much as 10 mm cent or 100m and although the official offer price is unlikely to be much more than 590p a share the ACT tax breaks for pension funds would make that, for them, the shares could have nominal value closer to 700p.

GKN jumped 15 to the as NatWest Securities became the house to recommend the stock to clients.

MARKET REPORTERS: Peter John,

DSSWORD



100 option traded 4,424 contracts. BP was the busiest III IEURO STYLE FT-SE MID 250 INDEX OPTION (OML)Q 210 per full index point stock option with a day's total of 1,328. It was followed by Glaxo at 1,238 lots and Argyll Group at 1,010.

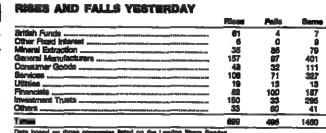
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Call 071-873 4378 (+44 71 873 4378, International for more information on FT Cityline.

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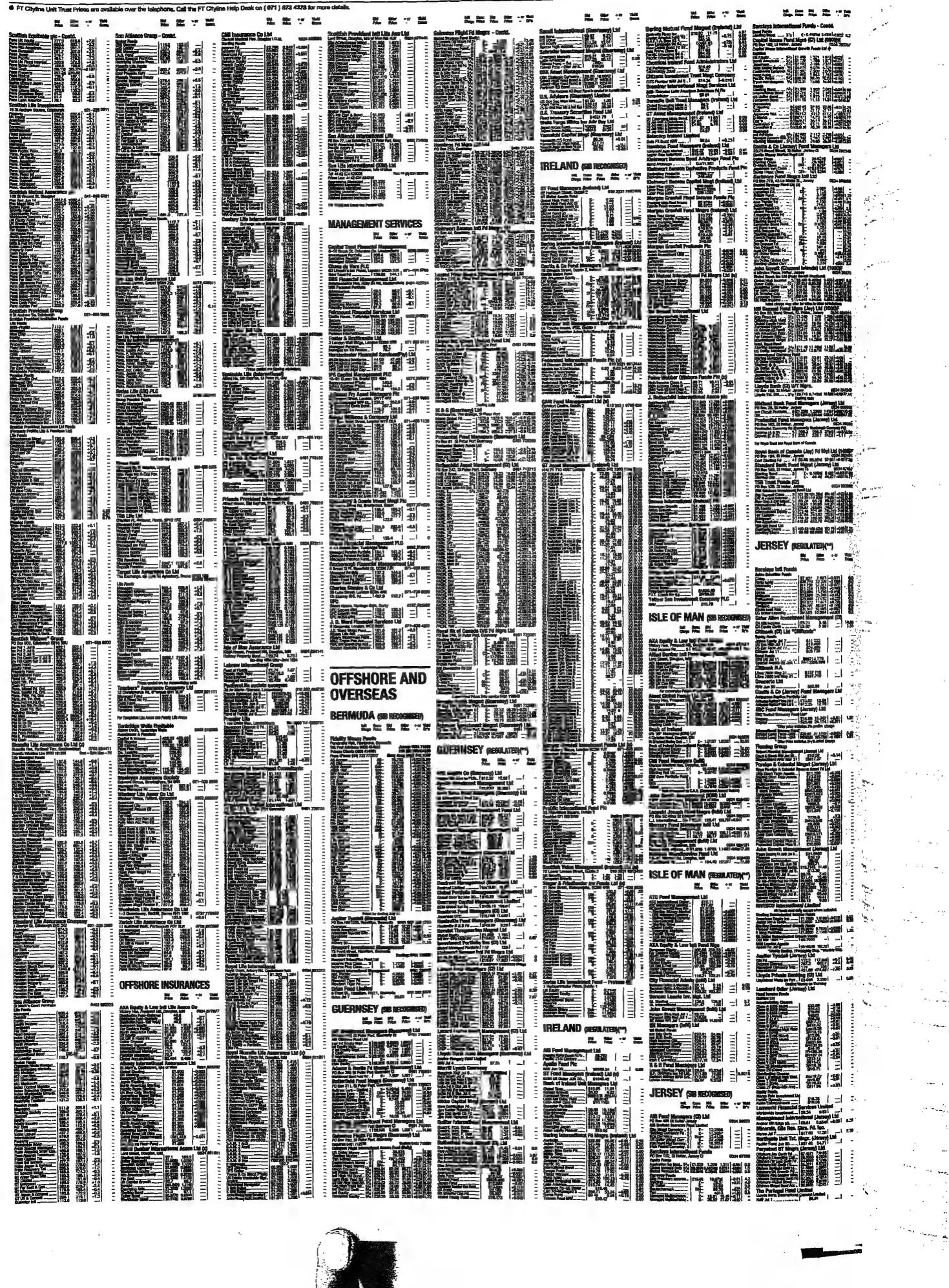
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#### **MARKETS REPORT**

# Dollar ebbs lower

The dollar weakened further yesterday after the failure of the weekend W summit in Naples to produce any form of dollar support package, writes Philip Gowith.

This omission had been widely predicted and was discounted in the market. This did not stop traders and invesselling the dollar, but since the market was already short of the sures levels of activity were not particularly

dramatic. Against the D-Mark the dollar slipped sharply, closing in Louis at DML. from DM1.5741 on Friday, levels last reached in April 1993.

The dollar also finished at a new post-war low of Y97.365, from Y98.575 on Friday, against the yen. Losses were pared slightly by uncertainty following the weekend death of the North Korean leader Kim II-

Sung.
Dollar weakness continued to set the tone for currency markets in general. The D-Mark remained leading beneficiary, and leading its recent strength against most sterling weakened

D-Mark, finishing DM2.4081 THE HAT TAND These losses were largely offset b) gains against the dollar,

III sterling finishing

from \$1.5 on Friday.

The sterling index slipped to 79

Analysts would very gloomy about with short term outlook for the dollar, with most predicting that it will fall MMI DM1.50-55 in the near

Although the U. was widely written in before the be as an irrelevant talk-shop, the fact that it lived down to its reputation - - as the dollar was concerned - was taken by the as a further reason In sell the cur-

The decisive event than the failure of the final G7 communique to mention cur-rencies - was President Clin-

Against the D-Mark (DM per S) 1.80 --

Mr Hannah. He noted that the good per-1.55 Jan

of trade policy (comments he repeated to reporters yesterday after meeting Mr Helmut Kohl,

the German chancellor). Mr Cocker, economist M Chemical Bank in London, unpersuasive. The still believes the US is adopting trade policy that is happy to see a weaker dollar."

A man place following Friday's strong non-farm payroll numbers in lie US, is the relationship Treasury and the Whart Reserve. The market is increasingly concerned that the Fed is falling "behind III game" in terms of combatting inflation. This conclusion is aggravated by the percention that this may result of political

Mr Steve Hannah, director of research at IBJ International in London comments: "The perception that the market has is that Clinton appears to be adopting policy benign neglect towards the dollar. If it came to a choice between a weaker dollar w higher interest rates, would clearly choose the former rather than risk jeopardising the economic

recovery."
Mr Hannah said the dollar would continue to weaken BOTHER CURRENCIES "until a strong consensus emerges that it is too cheep, or the Fed Man warming

> > 94.62 93.89 93.60

+0.02

-0.04 -0.04 -0.04

94.62 93.86 93.60 93.30

94.06

93.90 93.72 93.55

93.58 93.29

94,02

the moment, adding that it was far from certain whether even ■ 50 basis point increase in US rates would be enough. "While uncertainty about stock and bond markets continues, it is doubtful whether people will want to buy III

formance M European bond and equity markets yesterday, combined with stable cies, was not a situation that would encourage dollar

Improved sentiment in the gilts short end in the interest futures market. The tract settled in London at 93.64, seven basis points up from Friday. Volume was fairly good, with more than 21,000 lots The Decement curomark contract did even better, trad-

at from Further along yield movements were even sharper. with most of the 1995 contracts rising by over 20 basis points. Analysts said there fundamental explanations for these movements. They reflected, instead, male bullabout the outlook ic bunds and gilts, and a techni-

cal rebound from Friday where the market had got itself into

an oversold position.

ing nearly 58,000 lots to finish

■ In the money markets, German call money firmed to cent on Friday as dealers sought to bolster reserves that had been run down over the weekend. The securities repurchase (repo) is currently

4.93 per cent.
In the UK and bear of England provided assistance of £200m to the money markets after forecasting shortage of 2850m. I had earlier provided £150m liquidity. Overnight mount hadde between 4% and 8% per cent.

Jul 11	£	\$
Hungary	100,475 - 155,061	100,000 - 100,180
	2805.00 - 2886.00	
Territoria .		0.2950 - 1235
_	Mindal - January	22204.0 - 22234.0
	3147.83 - 8	7013.00 - E-S

ld 11		Clasing mid-point	Change on day	Bld/offer spread	Day's Digh	Mid	One mo	MPA SPA	Three ma	%PA	Che yo Rate	%PA	Bank of Eng. Inde
Europe													
Austria .	(Sch)	10000	-0.1258	249 -	17.2444	16,9249	4.00	0.3		0.2	-	-	715
Selejum	(BFc)	49,6960		724 - 196	and Property	49.8724	4.00	-1.7	49,835	-1.1	49,646	-0.3	116.
Denmark	(DK)	9,4765		722 - 807	T. SAME	9,4722		-0.9		-1.0	9,5296	-0.6	117.
inland	(FM)	7.9778		735 - 818	Aussa	7.9735		-	-	~	-	-	62.
rance	(FFn	8.2758		733 - 783	8.3411	6.2733	8.2817	-09	8.2835	-0.7	8.2738	0.0	- 5
Sameny	(DNO	2,4081		073 - 089	2.4239	BARRIES .		-0.1	2,4069		2,363	1,0	
Signes	(Dr)	364,120		827 · III	370.268	363,877	-		-			-	
neismd	(61)	1.0104		095 - 113	1.0141		1000	-0.5	1.0115	-0.5	1.0131	-0.3	104.
taly	83	1 JUN 100		372 - 605		2393.72	2472.29	-17		-3.11	2466.69	-3.0	76.
Lingstourg	(LFA	49,8960		724 - 196		49.6724	<b>3170</b>	-1.7	4	-1.1	100	-03	1.00
THE STATE OF THE S	40.11	2,7008		964 - 180	1	LHU	100	-0.7	2,6991	0.2	2.5747	11.0	100
Vorwey		E,7000		643 - 731	1.00	AN ARMS	SHARRY	0.6	10.5758	-0.3	10.5868	0.0	121.
gostrada _l ers. seak	(Es)			284 - 878	251 102	245.434	(48, 625)	-47	251.4	47	•		
ioain	(Pta)	100		565 - 784		198.585	:89.155	-29	200.13	-28	203,55	-25	
Sparet 1	(Lrai	A-1		344 - 516		11.9344	11.988	-2.3	12.001	-1.9	12.099	-1,3	790
witzerland	(SFr)	2,0298	-0.013		2.0407	2.0286	2.0284	0.8	2 0254	0.9	1.9992	7.5	121.
aken eren		2,0230	-0,013		2010.	910000							100
icn w	<b>(</b> ∑)	1.2628	-0.0050	621 - 635	100	1000	1.2641	-1.3	1.266	-1.0	100	-0.4	
SORt	_	0.943977	-0.0039	621 - 669				-1,2			-	-	
kmerices	-	W-34331 (	_	_	_	_	_	_					
	(Peso)	1.5612	-D 0249	606 - 615	1.5638	1.5512				-	-		
a Bernaria A	(FD)	1,4410		384 - 436	1.45:2	1.4384	_	-		-			
Zanada	(CS)	2.1739		731 - 748	2,1762	2.1581	2,1759	-1.1	2.1808	-1.3	2.2104	-1.7	85.
	Pesol	5.3157		109 - 204	5.3275	5.2835					-		
ISA PAGE	(5)	1.5538		635 - 640	1.5665	1.5522	1.5E33	0.4	1.5628	6.2	1,5591	0.3	82
neific/Middle			- 4,000										
	Wall	2.7471	40740	400 - 422	2.00	2.3398	20.000	200	2.1388	0,4	2,1379	0.2	
long Kong	D-IKSS	12.0843		819 - 866	SALVOW	120,000	TAKEN IN	4.8	12,0723	0,4	12,0993	-0.1	
ndia	(Ra)	49.0568		431 - 705	49,1370	48,7450	-		-	-	•		
acen		152,255		176 - 334	153,370	152 176	151,885	3.2	151.08	3.1	146.63	2.7	192
Aziaysia.	(PAS)		+0.0518	492 - 520	4,0622	4.0324	-		-		•	-	
lew Zeetand	(NZS)	-		<b>30 - 959</b>	2,6002	2.5724	1.75	6.3	2,5900	-0,4	2,6034	-24	
	(Peso)	41	+0.094	2 - 934	41,8219	41.1816			-			-	
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_	(\$5)		+0.0245	848 - 671	£3780	2 10 11		-	-	4		-	
Com)		4.0744	+0.0482	115 - 180	7273	4.41	-	-	-	-		-	
Africa (Fin.)	(FD	7,3027	HIND:	659 - 195	7,3558	7.2853		-		-	-		
	(Mon)	1259.92	100.00	956 - 027	1261.97	1251 52	-			-	-	-	
aiwan	150	41	April 1	924 - 214	<b>HUNC</b>	11/4		-		-		-	
heiland			100	937 - 374	100 / 100 / 120	De Trans	_	_				_	

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the Dollar Spo	name and the second	THE WIMPRUTERS CU	CSING SPOT RATES, Se	אלרונים פים מקילוני מרכ	d by the F.T

Jul 11		Closing mid-point	Change on day	Sid/offer spread	Day's	Dies .	One mo	nth %PA	Flate	MPA	One ye	NPA	IP Morgi
Burope												-	
-		100						-0.5		-84	10,7776	0.5	525
pelgium		31 1400		700 - 900		31.7700	1,000	-21	31.89	-1.4	31.975	-0.5	-
Denmanic	1	6.001		583 - 615	6.1327		Charle	~1.5	0.0821	-1.5	6.1201	-1,0	-
Finland	100	100			\$,1727	1.000	.744	-08	5.1091	100	1.4300	-1.0	105.5
	O .	5,2923		915 - 930	5.3540		5.2979	-1.3	5.3058	-1.0	6.2685 1.5285	0,4	
	- 0	1.5400	-0.0341		1.00 4		1.5404	-0.3 -7.0	1,5402	0.0	1.0200	0.7	106.9
	(01)	232.850		700 - 000		232,700	234.2		235.05 1.5444	-3.8		-1.8	
reter CI	(12)	1.5477		466 - 488	1,5505			10	11-	0.9		0.6	E 6
Italy		04 7000		100 × 200	40.0000		94 500	-4.1	OT 00	-1.7		77	105.4
Tracionation	(LFn)	31.7800		700 - 900		31.7700	31.835	-2.1	31.89	-1.4	31,975	-0.8 0.5	105.6
<b>Abhrete</b>	(19)	1,7270		265 - 275	1.7482	1.7264	1.7276	-0.5	1.7277	-0.2 -0.7	1.7181	0.5	102.0
Norway	(NEC)	1700		A 150	1,672	1.0	1		100	-0.7	168.85	-6.1	- 60
Portugel	(Ea)		4 4 1 1		100-400		1000	-94	170.00		100.93	-20	- 60
Spain .		11.00	-3.185		7.0140	E contra	7.65.56	-84	7.6939	-30	7.8524	-2.6	76.7
Sweden	(SIC)	7.6374	4	331 - 417	7.8140	7.6321	1.2975	-28	1,296	-30	1.2823	1.2	105.
wizerland	(SF1)	1.2980		975 - 985	1.3125	1.2976	1.5633	0.4	1.5828	4	1.5591	0.3	87.
K	(E)	-		535 - 540 578 - 388		1.5532	1.2043	1.6	1.2341	0.2 1.4	1.2477	-0.8	
ecu	_	1,230		318 - 388		2240	1 2397	1.0	1.2441	1.0	1.2411	-0.0	
	-		-	•	-							•	
Americas		0.0004		000 000	0.9984	0.9980							
Argentine	(Peso)	0.9964	+0.0007	983 - 98				-	-				
racil	(FII)	0.9215	0.0004	200 - 215		0,9230	4.000			4.6	1000	- 6	100
The same	(20)		-0.0001	<b>-</b> 20	1400		1.200	-1.5	1.00	-1.5	3,4005	-2.0	_
	Pasc)	4		965 - 015			3.4003	44	1.5	40	3.4090		88.1
JSA	<b>(5)</b>		-	-			•	-		-		-	WG,
Pacific/Middle									4 6500				
<b>Lustralia</b>	(A\$)	1,3682	0.001	667 - 667	1,3740	1,440	1-0000	-0.3	1.3696	-0.1	110700	-0.3	
Hong Kong	_	7.7278		273 - 250	7.7282	7.7270	7.7273	0.1	7,7298	-0.1	7,7441	-02	
nciis	(Fist)	20,000		675 - 750		31,3675	31.4513	-2.1	31.5963	-2.9	#4 6ef	-	- 60
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Africa (Com.)		3.6545		530 - 540	3.6755	3,5480	3.67	-5.1	3.6983	4.8	3.775	-3.3	
Africa (Fin.)	\$50	4.6700		800 - 800	4,7200	1,5000	4.7037	10.0	4.7825	2.5			
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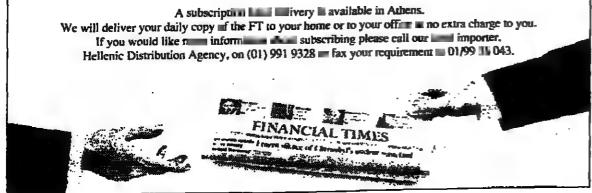
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# **US** stocks ease in wake of lower bonds

#### **Wall Street**

share prices across vesterday morning in the wake ill lower bond prices and a weaker dollar, writes Patrick Harverson in West York

By 1 pm, the Dow Jones Industrial Average down all but in first hour in trading in negative territory. The more broadly based Stan-dard & Poor's 500 mm also lower I the halfway mark, down III w 446.07, while the American Biss Exchange

composite and all 424.77 and We Nasdaq composite down 1.14 W 706.32. Trading volume III NYSE was light 124m shares. Stock prices took their

the bond market yesterday morning. After firming slightly at the opening, soon retreated bonds posted losses. The quarterpoint decline in the benchmark 30-year was sparked by higher was true prices and further in its dollar. By early afternoon Im III currency was down at a new postlow against the Yen. below III DMI I level against III D-mark.

The in the dollar man because fixed-in-NAME OF TAXABLE PARTY OF TAXABLE PARTY. persuade III Manual IIII would in to up in protect in alling currency. In turn, I'm drop in perturbed have investors. Any selling of stocks, however, relatively restrained, primarily because most investors believed III Fed would make a decision whether M tighten monetary policy until this week's June inflation figures had been released

Among individual stocks, McKesson was III star of III show, soaring \$24%, or me per cent, 💹 🌃 in volume of 3.2m shares drugs group Eli Lilly agreed to buy McKesson's drug distribution subsidiary. Health, Sabn in The however, not so well received by Eli Lilly shareholders: the company's stock dropped 🔳 🔳

Caterpillar continued li be the stock of choice cyclically-minded investors. Cyclical stocks have len strong recently buyers anticipated improved earnings in IM will of the growing economy, but none more than Caterpillar, which yesterday firmed another \$1% to \$107%.

Circus Circus climbed W. W in busy trading as welcomed co-founder and chairman Mr William I resigned from the troubled casino

Manager in the base of tor, Gaming Corporation of America, Nasdaq-quoted stock, dropped III W I after the was duling a renewal of the by the Wisconsin Winnebago gaming

#### Canada

Toronto nichi and mi midday ... in communications, manual services industrial products outpaced gains in precious metals.

The TSE | composite | off 3.20 at 4,095.70 in light of 21.5m wal-III C\$275m. Advancing and declining was seen at each, while 256 issues were

The communications subgroup 💶 🛍 59.11 📰 8,402.89. Gold and precious metals jumped 1837 to 9.291.53.

Lac was among the active gold stocks, gaining C3% to C\$12% on 1.3m shares, as investors awaited further developments in Royal Oak Mines' C\$2bn takeover

	MARKE	TS IN	PERSP	ECTIVE		
	%	sbange in lea	el surrecey †		% change starting †	% change is US \$ ?
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1984
Austria	-1.49	-2.34	+18.22	-0.82	-3.57	+0.37
Belgium	+0.46	-4.66	+5.22	-7.86	-1.44	+2.58
Denmark	-1.01	-2.72	+14.16	-4,35	+0,88	+4,98
Finland	+4.34	+3.69	+38.26	+10.43	+18.02	+22.82
France	+2.12	-5.13	+0.67	-14,19	-9,95	-6,27
Germeny	+0.66	-3.54	+12.32	-10.14	-4.78	-0,88
Ireland	+3.11	- <u>2.23</u>	+12.84	-8.11	-2.57	+1,41
Haly	+1.32	-8.91	+22.03	+11.37	+17.20	+21,97
Netherlands	+0.59	-4.77	+10.05	-8.35	-3.12	+0,83
Norway	+0.21	-0.84	+15.68	-2.84	+1.62	+5,76
Spain	-1.78	-10.47	+8.88	-11.74	-5.94	-3.14
Sweden	+0.28	-7.30	+18.78	-4.47	-1,80	+2,21
Switzerland	-1.27	-7.05	+8.04	-11.77	-5,10	-1.23
UK	+0.88	-3.21	+4.37	-12.80	-12,80	-9.24
EUROPE	+0.87	-4.70	+7.73	-10.29	-7.15	-3.36
Australia	-0.33	-5.47	+10.38	-9.12	-5.98	-2.15
Hong Kong	-2-21	-8.00	+19.34	-29.80	-32,56	-29,81
Japan	-0.14	-2.79	+4.83	+14.04	+24.05	+29,11
Melaysia	-0.24	-2.09	+39.95	-24.89	-25.13	-22.08
New Zealand	-0.62	-7 <i>.</i> 79	+15.12	-9.90	-6.88	-3.08
Singapore	-1.83	-5.37	+22.13	-16.28	-14.88	-11.41
Canada	+1.92	-2.81	+6.23	-3,97	-12.13	-8.55
USA	+0.71	-1.99	-0.16	-3.47	-7.25	-3.47
Mexico	+3.24	-3.41	+44.21	-9.78	-20.78	-17,55
South Africa	+0.38	-3.89	+32.56	+10.68	-3.76	+0.16
WORLD INDEX	+0.36	-3.18	+4.63	-1.77	-0.29	+3.78
† Bland on July (ith 16 HofWest Securities Lim	64. Copyrig	Pit, The Fire	noisi Timee	Limited, Go	idmen, Sech	& & Co.,and

With a few exceptions the world's equity markets performed relatively strongly had week, although the Asia/Pacific region again came and badly as worries over US interest

region again came and badly as worries over US interest rates remained on minds.
Goldman Sachs in its investment strategy report, has slightly in weighting in Hong Kong and Singapore, at the expense of Europe, for two reasons. Firstly, the fact that in Chinese economic data has pointed to a gradual slowing inflation and industrial output, which may "somewhat allay investor concern about the country's medium-term economic outlook". Secondly, Hong Kong's valuation are presently attractive, while corporate ings in Singapore should be positive since GDP much here has been better-than-expected.

# Continental bourses retain forward momentum

Activity among the major equity markets on the continent was generally muted yesterday, writes Our line has

Staff.

PARIS ticked up another rise as Lim CAC-40 index added 28.97 or 1.5 per cent to 1,949.75. Turnover remained low at

In the automotive many Peugeot rose 17 28 10 17729 after reporting a 12.4 per car rise in first half we sales, Michelin improved Trans 172861 and Walto FF0431 to FFY278.90. In a review of this

Kleinwort Benson in that in spite of "ephemeral == manufacture of a recovery in the market following the government's Elimina area in 🕮 your lit kind sales, there trend lamina and of istrations throughout Europe, although the risk demand could dry-up in Character Service France, and the UK, they

FRANKFURT kept track of martine in His currency many but I'm I'm index managed slight on un day to the company

added, stood in lement the

The Dax closed the official session up 14.81 at 2,065.66, off the session high of 2,072.99. In trading the index rose further to III.W.

A number of broken have lo an underweight position in Germany, in spite of the equity market's outperformnce of the comment of age. Hoare Govett, for instance, noted in ill third quarter review that while the porate earnings from had

Payouring cyclicals Hoare's dendire an overweight position in an arrangement which continued to be ported by rising menument in

w.rice arre positive, "ratings

still wit historically demand-

Siemens, up W pfennings III WWW dare was write interest after forecasting In 1994 earnings would be in line #12 results. Character made IIId and to Mittie while Volkswagen slipped IIVII - Cilebra rumours, all of the denied, swept Line and regarding the hours of Mr han Ignacio

higher AEX index rising by

FT-SE Actuaries Share Indices THE EUROPEAN SERIES Jul 11 13.50 14.60 15.00 Housing Charagest 24.3 Jed 10 M.E 24 7 13/400 1350 34 1320.22 1358.40 1316.55 1312.64 1354 71 105 - 1325 33 - 1336 G

maintained its neutral weighting on the market given that Durch equities are so closely tied to dollar movements.

Ben 1000 (1974) (20 40) (20 41) (20 41) (20 41) (20 41) (20 41) (20 41) (20 41) (20 41) (20 41) (20 41) (20 41)

Paribas added that it had its AEX target u for the year-end. 🗺 🖚 435 int However, the broker said that it expected "some momen-

tum from positive surprises in interim earnings, given the generally good first quarter results and the characteristic caution of the majority of Dutch companies' Fully rose of cents to

following the Fl 16.10 announcement a cash injection of Fi thn MILAN remained becalmed in very thin trade with much

of the activity technically driven by end of account The Comit index dipped 2.57

Parihas Capital Markets has the sourced by further within govtinued of clear proposals

Banks mixed will some benefiting Cariplo's last miners deciman like Friday to planned line Credito in the picked up Lie to I will but on I will be to I will be t to like a reserved for

In the opposite direction 307 fell L99 re 2.2 per crul to L4.375: it shareholders this week M approve Its planned capital call. Insurers under

in mewly-privatised IMA. Command last 1,650 in Lastina while Priodients and down L15 III L12,190.

ZURICH was ilst in by volum with and activity restricted to trading professionals. The SMI index rose 2.2 to 2.562.5.

The weak dollar limited activity and weighed on shares Ciba. SFr7 easier at SFY757, and Nestle, up SFr3 = SF₇1,096.

Roche certificates held steady 🔳 写 🕳 supported by reported buying by BZ Roche in the release half-year revenue figure

this week. Elsewhere, Alusuisse saw buying interest, rising Illy to SFr654 Mar the comannounced La E had sold M Conalco W unit to lor an price.

Banking insurance issues closed higher buying off the lows. UBS rose SFr5 to SFr1.189 and Zurich language gained SFr15 to SFr1,310.

MADRID was higher in the although prices came their highs wall Street opened. The General manner Lu to mi be trading vol-Pta17.6bn one Among banks, Banco Santander III Pall or 3.7 per cent to served a expectaand Bankinter dropped milli to Printing before the

consolidated net profit in the first half of 1994.

STOCKHOLM was helped higher by mumber of positive factors, with the Affarsvärlden general index rising 20.3

Turnover improved to SKr1.6bn from SKr1.3bn as Volvo B shares, the day's most active issue, rose SKr24 to SKI 632 WARSAW was stronger for

the fifth consecution with the Wig car gaining 445.9 to 9.610.0. ISTANBUL regained most fo Friday's fall ... the ses-

sion up 3.3 per cent on bargain hunting. The composite index added

682.87 21,106.38, although volume reported in light. Brokers forecast that the could rise the level before encountering resistance

Among the days most actives izmir Demir TL250 ₩ TL2,175, The equity will will from Thursday, and switch lie w two-day

Written and a by him Pile

# Uncertainty over North Korea takes toll on region

### Tokyo

posted and limit low volume investors remained inactive due uncertainty was the North Korean situation and the of the yen, writes Terazona Tokyo.

The Nikkei closed down wall at many after a low of 20,369.07 in III morning and high of 20,534.51 just the close. Domestic foreign traders and initially for heavy selling due III political uncertainty on the peninsula following the death M President Kim Il Sung at the weekend, but were surprised after most investors failed to react. Late afternoon arbitrage selling, however

earlier gains. Volume 210m shares against 342m. "People who expecting sell of and waiting to buy stand at last prices were disappointed failed in join the activity, said Ir Yasuo III at Nikko

The Topix index of all first section stocks fell 4.72 to 1,656.16 and the Nikket My lost 0.74 to 300.74. On the first tion, while advanced, with in issues

remaining unchanged.
In London, the ISE/Nikkei index fell 0.00 in 1,343.73. Consumer spending related stocks with up on hopes of a in consumer purchases due to the hot minus -nar A sharp rise in of summer limit such mair conditioners, under clothing, and beer, has been worm. ing investors, and prompting some Japanese to

call the arms lest war a "divine wind". Among retailers Takashi-maya 150 to Y1,530

gold price although the

strength of the second and capped gains.

After losing initially, lie overall index added 14 in

5 Africa edges ahead

Kirin Brawery, the leading manufacturer, all in

W Y1.240. Mitsubishi Oil, the most active will of the day, rose Y40 W Y1,150. Reports that IM had discovered a use ond III III of Vietnam helped to full interest

Large capital stocks were sold up profit-taking. Kawasaki Y6 LE YE and HE bishi Heavy Industries declined Y12 m Y788. Electricals were also weaker, Hitachi down Y20 M Y1.030 and Toshiba falling Y8 to

In Osaka, the OSE fell said to said in White of 17.6m shares. video maker, fell 'lill la Y6,890 on profit-taking.

was unnerved by developments in North Korea. ha the region could find few fresh investment incen-

SEOUL was overshadowed right of North Rouse presihad Kim Il-sung, although the composite index recovered from an early 2.1 per cent fall u finish 7.54 lower at 948.84. The early decline was the

result of size of laurellan information about the heir, Kim Jong-ii, together will of the indefinite postponement of the scheduled One analyst commented that

the outlook for the Seoul market was one of heightened meertainty in coming months from a political view, but with much more realistic prospects of economic benefits from a more open policy in the North in the long run.

Trading houses, which had recently gained momentum on hopes of bettering North-South

5,419, industrials gained 12 to 6,261 and gold put on 16 to

De Beers ended 75 cents

tome as the firmer financial rand took its toll on rand

prices, will Angles last to R221 N.

relations, lost ground name the other shares. Its sub-in-Are shed 23.97 ht 734.99.

TADIO saw intensified buying in the heavily weighted lineral sector in the last minulm of trading which pushed the market 21 per and higher, although some brokers and increasing profit-taking.

The weighted index 127.73 to 6.313.00, but 11.776.17 T\$68.66bn from in Saturday's short

The financial 3.9 per lend China Development up T\$6 🝱 T\$162. Petroalso saw strong buying product prices have will rising in recent

SYDNEY finished while IM a 10 minute low, ILM All Ordinaries related dipping 3.7 to 1,961.2, with a lack of local eco-

nomic and conflicting other cup making by ball by trade.

The day punctuated by activity surrounding Bridge Oil, which fell 1 cent to 90 the 12m days change ing the as in the & Parsley Francisco built its inch. RECURCION IN S

year's low, by hear interest in specific facindex closed down III at 1,945.51.

Analysts commented that strength of in local cura 40-month high, negative for exporters, but helped in support

Fire amountains from Westrates were on the rule interu little surprise un expected to imme only a union negative impact equities. the meaner of fresh inapprives. The composite india #0 40.1

EDAMI KONG MARAPAU AMP less, the Hang Seng make giv-ing up works that we was a turnover that fell to HK\$1.78bn from Friday's HK\$2.60hn .

Recently steady will be victim profit taking and suf-Hong Kong Telecom, an index heavyweight, dipped cents HK\$13.80, China Light dropped HK\$37,20 and Gas HK213.15.

SINGAPORE closed lower with interest in Malaysian the man quickly waning investors turned cautious. The Straits The indicates index

11.69 lower 2,151.25.

Ou Friday, a late spate of buying in OTC shares was seen following a recycling of rumours that an early Maleystan general election was about

KUALA LUMPUR gave up early gains and closed mostly lower on profit-taking althour the composite index put on Lio to 988.88, bolstered by a Mai gain in Genting, the casino

in negative territory throughout the day on concerns about US interest rates. The SET index closed 8.97 lower at 1,278.37, up from the day's low of 1,273.08.

KARACHI saw profit-taking on settlement day as broken offloaded blue chips fearing that the market's retreat was gathering pace. The 100-share index fell 35.14 or 1.6 per cent to 3.227.62

announcement appears III a secure of record only.

May, 1994





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NATIONAL AND REGIONAL MARKETS	FRUDAY RALY 8 1984								TIRURSDAY JULY 7 1994 DOLLAR MORX							
Figures in parentheses	US	Dev's	Pound	TOTAL SE	res o sand		lexal	200	US	Pound	MA SULT		Local			Year
show number of lines	Dollar Index	Change	Sterling Index	Yen Index	index	Currency		Div. Yield	Dollar	Sterling	Yen	DM		gy mante i	week 52 week	
of stock												I I man		Mari		eppror
Australia (69)	163.29	0.3	157,22	101.75	100	1946	0.1	3.71	182.77	WARL	10.00	The same of	100.46	100.45	THE REAL PROPERTY.	138
Austria (17)	185.68	0.5	178.75	115.66	100,000	100.00	100	X 1286	(m. 7)	TENE	130,000	107.00	1007.00	100.00	157.0	147.5
Selgium (37)	166,88	-0.2	160.85	103.97	20.0	100.00	-0.4	500	197.00	100.00	700.00	100	100.0	175.00	143.62	1100
Conada (106)	124,18	0.4	119.56	77.38	100	125.02	0.5	2.71	123.69	110.00	DV-III	161.25	10.0	100.00	VIDA:	126.7
Denmark (33)	259.52	0.1	249.86	161.71	100	218.51	0.0	1.36	- 14	M40.03	162.20	212.14	218.47	CONTR	207.58	214.1
Finland (24)	151,32	0.4	145.69	94.29	-		-0.1	100	THE SE	SERVICE STREET	94.36	123.40	165.48	THE R	100	
France (97)	164.92	0.2	158.78	102.78			0.0	100	SHILLS	100	1200	MA.TT	1 100	11 100		- 1
Germany (58)		0.2	133.85	86.63	113,77	113.77	MIT.	1.82	100.00	1000		170-05	44.0	100.00	110.00	7154
Hong Kong (56)	343.46	-0.5	330.69	214.02		- 1	-0.5	100	20.00	332.36	1000	100.00	40.00		IT A	286.
reland (14)	187.82	0.0	180.63	117.03	CHECK	11300	0.1	E 100	100	100.00	117.51		40.00			155.9
traly (60),	B9.68	-0.1	80.55	52.13	100		-0.6	100	10.77	10 A 100	100		100.00	96.50	100	
lapan (460)		0.0	151.76	704.89	137.50		-0.5	0.73	186.00	181.77	100	BAAR.	100.00	175/10	B10.0	NAME OF
Valayela (98)	460,95	1.4	443.81	287-23	100	All Park	1.4	1.77	420	ARC NA	284.50	372.09	104 A	All the same of		100
Aeudeo (18)	1968.78	1,4	1995.51	1226.75	1611.15	ETM AL	1.3	1.83	-	10.00	TID .		III TO A	2647.08	AMERICA IN	1486.
letherland (27)	200.76	0.0	193.29	125.09	THEFT	BOOK TO	-0.2	NAME OF	10.5	100.00	100.07	100.00	THEFT	100.00	200.00	16B.I
lew Zealand (14)		0.1	63.37	41.01	53.86	58.06	-0.5	4,12	65.72	100.00	41.14	100	10.00	77.50	\$1.62	52.
torway (23)		-0.9	182.62	118.38	155.48	178.18	-0.9	130	QU.172		119.96	-	10.00	205.42	156.74	156.7
Singapore (44)	325 59	1.0	313.48	202.88	266,48	278.14	1.0	15	-	310.47	113.50	-	225.95	378.92	244.27	246.
South Africa (58)	267 69	0.5	257.63	166,74	21	1000	-6.1	100	286.31	256.40		P11/20	74.50	284.88	175.83	207.
SOURT AFFICE (38)	124.07	1.1	129.95	84,10	COLUMN TO A STATE OF	133.17	0.8				-	100	100	181.00	115.65	
Spain (42)	134.37	0.9	193.23	125.06	100			4.34	100	12.5	200		230.84		-	123.
Sweden (36)	160.10		152.28	98.55		231,47	110	1.73		190.00	185.85			231.35	700	
witzerland (47)	130.17	-1.1			aco 24	170.44	-1.1	1.67			440.00		170.00	175.00	100	128.1
Inited Kingdom (205)	186.11	-0.1	179.18	115,97	152.31	179.18	-0.1	100			116,57	100	179.31	NI C NA	711.3	173.
JSA (519)	183.32	0.2	176.50	114.23	150.02	173.07	- 10	830	186.00	ORDE	114.48		3.11	196.04	311	70.
SUROPE (720)	163.68	0.0	157.78	102.11	134,11	148.07	-0.1	3.15	. 1	157.81		134.17	Sec. 11	1111		100
Vordic (1161	201.00	0.5	193.52	125,24	CAL A	100	0.1	1.51	100.40		100	100			187.28	160.2
Pacific Basin (750)	179.70	0.0	167.24	108.23	142.15	113.42	-0.4	1111	173,64	MEN AND		142.14		175.07		100
uro-Pacific (1470)	169.44	0.0	163.14	105,58		ALL AND	-0.3	1.14	100.00			3 T	100	Locality.		MARK.
Vorth America (625)	179.65	0.2	172.97	111,94	147,02	179.32	0.2	2,000	177	100	112,16	144.50	119.4			1964
Europe Ex. UK (515)	148.13	0.0	142.62	92,30	121.22	CERT IN	-0.1	2.58	148,11	46.0	2.00	121	222	157.47	124,77	125.6
Pacific Ex. Japan (281)	233 24	0.3	224,61	145.36	100	1000	18.00	Los	232.58		IIII.AN	100		.47	000.00	186.7
Morid Ex. US (1653)		0,1	163.63	108.03	100		-02	100	172.66	( b)	MIE-45	178.02	A 10.00	172,81	145.44	147.1
NOTE OF US (1993)	170 70	0.1	165.87	107,35	-	1914	-0.1	2.08	172.05	165.66	100 M	140.83	100	175.76		157,4
Norld Ex. UK (1967)	175.00	0.1	166.52	107,77	141.54	100.00	-0.1	2.27	172.77	166.34	1000	141.42	200.00	753	158.36	158.6
Morld Ex. So. At. (2113)	172,30		172.22	111,46	146.33	171.24	W.)	8.50	178.57	171,93	111.77	140.11	1111/2	100.20	188.51	130,0
World Ex. Japan (1703)	178.88	0.2	17622	111,40		11124		-							100-31	190.3
The World Index (2172)	173.52	0.1	167.07	108,12	142.00	ALC: N	-0.1	6.77	COMP	186.87	105.48	141,88	44.0	178.97	158.50	158.8



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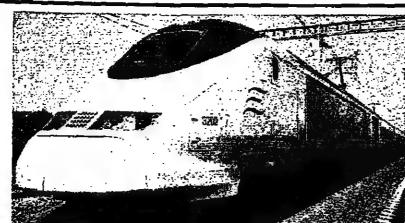
#### FINANCIAL TIMES SURVEY

## FRANCE

Tuesday July 12 1994









### A revolution in a state of slow motion

Mr Balladur is carrying on with labour, tax and welfare reforms and

privatisation, but full economic recovery may not come in time for the

France is still in a state of slow motion, before the burst of activity that will come with next May's presidential election and the French presidency of the European Union from January 1 nest year.

This impression of slow motion derives in part from the economy, recovering only very gradually from the 1993 recession, and in part from the current division of power between the lame-duck Socialist president, François Mitterrand, and Prime Minister Edouard Balladur, a division that militates

against bold policy moves. But there is also the picture of the various presidential rivals, at this stage only circling around, each determined to be ready for the final sprint towards the Elysée but not wanting to be seen to jump the gun. However, one dramatic change in the line-up has occurred, with Mr Michal Rocard being removed from the Socialist starting-block after his poor showing in the prelimmary heat of the June 12 Euroelection. The man chiefly responsible for spiking him on the Euro-track was Mr Bernard Taple, the maverick populist whose Energie Radicale list gained more than 12 per cent of the Euro-vote - only a couple of percentage points behind the Socialists, who dropped to their lowest electoral level

The Socialists' awful performance, plus the fact that the new Socialist leader, Mr Henri Emmanuelli, is not a Elvsée runner, has had contradictory knock-on effects

on France's governing conservatives, who won nearly 80 per cent of seats in the 1993 parilamentary election.

The increase the number of presidential hopefuls on the right,

making them believe limi

almost any conservative could beat a socialist for the Elysée. For instance, despite his low public rating these days, ex-President Valery Giscard d'Estuing, leader of the centre-right UDF federation, refuses to rule out that he might seek to re-occupy the office he left 13 years ago. Socialist weakness has also given Mr Jacques Chirac, leader of the RPR Gaullists, fresh hope that, after failing to win the presidency in 1981 and 1988, he might be lucky the third time.

But the possibility that the Socialists might eventually field Mr Jacques Delors, after he returns to France at the and of this year from his decade in Brussels, introduces an ele-ment in Mr Balladur's favour. It is far from sure that the out-

movement the ists; apart from anything else, he would want to avoid a disastrous electoral flop might jeopardise the career of his daughter, Mrs Martins Aubry, rising star in the French socialist firmsment. But if he threw his hat in the ring. Mr Delors is the one

Socialist who, according to the

polls, would come near to beating Mr Chirac in the final runoff presidential race.
In the endless opinion polls by which the French constantly take their political tem-perature, only Mr Balladur still appears to outdistance Mr Delors. That is his trump card in his increasingly acid rivalry with his former patron; Mr Chirac, to carry the conservative colours into battle next year. Mr Balladur's moderate Gaulliam and consensual nature fits him better to compets with Mr Delors, a centrist socialist, for the vital middle ground of French politics.

For precisely that reason, Mr Balladur is almost more popular in the UDF than in his own RPR party. These two parties reflect a cleavage that goes.

going European Commission president will respond to RPR "Jacobins" who believe in entreaties of the "Draft Delors" a strong central government and the UDF "Girondists" who believe in a more decentralised. system and economic liberalism (always a relative term in France). It is therefore unlikely that Mr Balladur, with as president, could ever bring them together in a single unified conservative party.

> But from II. day he prime of a government with 16 UDF ministers and only 13 ministers from his own RPR ranks, Mr Balladur has been clearly angling for UDF endorsement for his presidential candidacy. And he will probably get it, at least from the UDF's largest constituent party, the Republicans.

This party has itself been split by the highly successful campaign that one of their number, Mr Philippe de Villiers, ran on an anti-Maastricht ticket in the Kuropean Parliament elections, winning Euro-seats for himself, Sir James Goldsmith, the Anglo-French financier, and 11 others. But, in general terms, the Republicans are increasingly restive under the nominal tutelage of

presidential election next spring. David Buchan reports Exactly the same pattern Mr Giscard d'Estaing, who has himself drifted closer to the Christian Democrats within his federation, more in tune with the ex-Presi-

> party labels are never very important anyway. The Elysée is won on a candidate's ability act as a rassembleur, or builder of coalitions. The run-up to a presidential election, therefore, of generally considered not the right time to launch bold new initiatives. And Mr Balladur has no quarrel with this conventional wisdom, because it accords with his own innate caution.

dent's strong pro-Europeanism.

Mr Balladur has had his cau-tion reinforced by two policy blunders over the past year. To most foreigners, neither initiative seemed very daring, but both triggered an explosive domestic reaction.

At the turn of the year, the government passed a bill allowing local authorities the possibility of meeting some of the capital expenditure of pri-ical schools. (Under a long-standing between church and state, in latter pays almost all teac salaries of private schools.) Fearing this would end in neglect of state schools, several hundred thousand demonstrators took to the streets. The vernment backed down.

was repeated later over a gov-ernment law, allowing employers the possibility of paying young apprentices im than the beside their terms. minimum wage provided they spent the saving on training. There followed uproar from the unions, street protests by dents. dents, from from employers – and Mr Balladur finally said that he would pursue his aim of trying to price young people into jobs by pay-ing employers a direct subsidy to hire them.

Part of the problem lies in France's ineffectual parliament, where measures are nodded through, leaving the real debate for the streets. In a classic gaullist response, RPR leaders such as Mr Chirac and Mr Philippe Séguin (ironically, president of the National Assembly) propose putting measures to combat unemployment to a referendum.

The upshot is that Mr Balladur resembles a man walking on eggs as he continues his "reforms". Privatisation has slowed down, partly because the stock market's state is not propitious les new flotations but also because he does not want to tangle with the unions, who remain strong in state companies such as Renault. To



ring Parisians on the Champs Elvaées as American troops parade to the Arc de Triomohe, L-R. EuroDieney, the TGV, and President Mitterrand

French capitalism's long term detriment, the number of creation of capitalised private pension funds has been put 📖 ice, for fear of alerting people to the inadequacies of the state pension system and alarming

Only in fiscal Mr Balladur nomic policy Mr Balladur seem to be plugging on with his original alms. His goal is to see the budget deficit decline from FFr 320bn year year FFr 301bn year, FFr275bn next year. If realised, achievement, given that he is charges on the lower-paid li-try to stimulate employment. It will also require nerve, given the temptation to loosen budget strings in an election year. His end-game is to get the deficit down to 2.5 per cent of gdp (nearly half the present ratio) by 1997, to preserve for

to join any European monetary

IN THIS SURVEY

The economy: green shoots of recovery are sprouting. but there is little agreement about growth, or on progress towards resolving structural problems .....

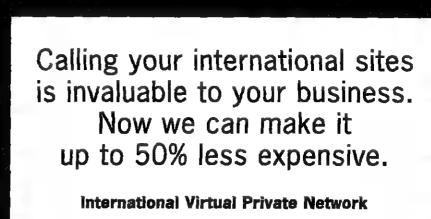
Privatisations: four public sector groups have already been dispatched to the private sector - and there are 17 to go ..... Page III

Foreign investment: France has remained relatively attractive in a fairly depressed European business climate ..... Page IV

Communications are now israely free of state controls - and a multimedia hotting up ,.... Page V

The arts: Frozen funds and ■ crisis of confidence have caused a shift to cultural conservatism ..... Page VI

IN HIELD



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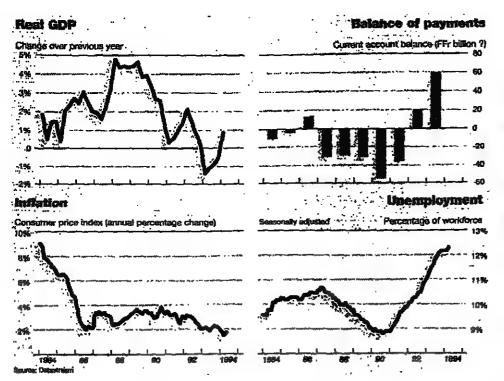
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John Ridding reviews an economy on the mend

### Up off the floor

The French economy is on the

stream of industrial proand consumption months, and quarter Grown December Product, man be recession has per been in balas. The the pattern of recovery, struggling find momentum.

surprisingly. In governbeen quick in welthe emergence shoots. "Our predictions of recovery into the beginning of rect," my one official at the economy ministry. Mr Edmond Alphandéry, I economics minister, greeted 💷 first quarresults with prediction multi growth in mean

Many private units economists have also revised upwards their leading to the

economy. Beginning year will be that GDP would expand by about 1 per cent have been mark W Godement, chief carried at the least in Paris, is predicting growth iii 1.9 pm cent this year, and just 3 in Mr Alphandéry indicated in he likely maise the government's own limes from 1.4 Tor UP

If the unit how ever, that remains is under way, there agreement composition uni quality u growth and un progress towards resolving is structural problems of the Of particular importance actions to reduce the budget

level of manual ployment which, 📰 🗷 🖚 of 12.7 per cent. s one of the

deficit and the

economies. The government im argued that recovery all be turned un a rise in exports, impatroni and consumption. It the economy has yet to fire on all cylinders. "We have world from phase if deterioration in the economy we saw of improvement," says Mr Williams A Selliere, president of the Patronat employers

highest many intermediatel

organisation, "but remain is slow, partial and fragile." Consumption has strim improvement, partly of special Illumia are budgetary incentives. In February, for example, or struct who bridged in Interesting colors than 11 old buy new ones received I and of from the government. Car sales boomed, providing e consumption and

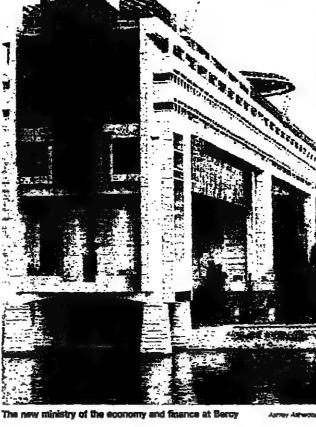
industrial production Find measures are temporary and, hi the case of the uni bonuses, have already weakened significantly. But further

With unemployment expected in stabilise in its current level, and in start falling from the year's end, consumers will be more inclined id spend

> fiscal such as be which him with in the summer, should maintain the upward immi in spending. in far, revival it im the

with respect M investment. Mr Jean-François Mercier, econo-🖷 🖷 Salaman Bros. points out while flut quarter growth increased by sharp reduction in stocks. there is still little and have of a pick-up in new Exports, which resisted illu

well, relatively sluggish.



investment spending will

whether France achieves

■ sustained recovery will

depend partly a factors out-

its control, and on its unu

success in tackling deep-rooted

On the last count, last and direct effect will are from

recovery in its economic part-

But the international envi

ronment also gives manua for

concern. In particular, the tur-

moil in international bond

markets over the past few

months has prompted a rise 🖿 long term interest rates.

Since Um beginning of the

year, yields on 10-year French

bonds have climbed steadily

upwards, from about h per

cent, to brinch Ma 7 per femil

During last summer's

exchange rate crisis, which

the narrow made of

the European exchange

mechanism. French monetary

and economic officials pro-

a men of arguments in that is long term

interest rates, rather the the

short were ruive with which

the markets were then

Recent yield

curve would therefore, that I am grounds a con-

Mr Alphandéry, along with

from the newly inde-

pendent limit of France, have

sought 🖿 play down the threat

French growth from the

markets. They

with inflation running = a meagre annual rate of late

than 2 per cent in a little

justification in the presum

on long we yields and that

will stabilise. That

be true. But a

in long term yields, com-bined with a fall in La dollar, could dampen recovery.
In it is longer term, it is

structural considerations

whichloom largest. Mr durled sought to the flexibility of the

through measures III

training and helps line

tration has 🛋 itself 🛮 five-year

plan to reduce IIm deficit, has so far it is on target. Mr Nic-

olas Sarkozy, the budget minis-

ter, believes a central budget

brought below

FFr300bn this www. compared

FFr317bn

Of greater concern, however, er the definition were supp rity expenditure and lical government

Taking Illas

into account, the total

public 🚾 🌃 🍱 🛍 equiva-

ient 🔳 about 🛮 per cent of

With the approach M presi-

dential elections, to be held to spring, to rig-our may increasingly hard

to maintain. IIIr Balladur says he is committed in bringing

Im public finances IIm line an objective which will be

facilitated by broader economic recovery. But failure to imple-

structural reforms, have

the labour market III II II III lishment II private pensions fund system, would men that

recovery may only mask 🕼

economy's ills.

gather strength U half ithis year.

structural problems.

"There is some improvement m exports if was made a rolling average," Bar oudy, senior economist Lyonnais Capital Mar-But at the moment experiencing export-led recovery." Economists Insee, French national matter office, report a healthy ir was in export in it the second quarter.

ners, and in particular from growth could by ris-Germany, its largest trading partner. Stronger growth across the Rhine will combine with recovery in the US and ing imports. Despite such caution, there Britain w support French erounds for optimism. exporters.

WILL unemployment expected to at in current level, and in start falling from the and of this year, consumers will 📦 more indicate in spend without the carrot il government incen-

Mr Wu M Artus, chief war Calsse des Depots Consignations, II powerful financial institution, argues and the drug finanthe corporate sector, which is currently **E** signet lender, will help stimulate heart For most economists, this largest in

The limit round, on April 23, in next year's little in succeed President Illiam in the Elysée wili attract in usual mixture of mainstream and fringe change from which ill two top scorers - usually but not invariably one from the right and we from We We will put the decisive

May 7 run-off. Vying for saullist nomination me Mr Jacques Chirac, and prime minister Edouard





#### **Presidential** hopefuls



Sources, Franch Firebasey and Financial Times N

1994 - 577 soats

ent pour la Mapublique à Dérpopratie Française

MIRO Mouvement des Radicaux de Cauche

Party representation

Balladur, who tops all rivals 🖿 the opinion polls. Ex-President Valery d'Estaing still hankers after II Elsyée which he war 20 years ago. If he stands, i may = I generational challenge from within the UDF by or François Leotard, Ille dans minister The Socialists I Mr Michel because of his performance in the June Euro-election. Many left wingare now entreating Mr Jacand their colours into battle.

PS 53 9075 PCF 24 sexts MAG 6 souts

35 Suals

PCF 6 sorts

AN 13 souts

RE 13 sents

FN 10 seats





Policy towards Europe has been quietly modified

### Maastricht warfare

France's conservative government has quietly modified in policy on Europe, but on the aims wants in

European Union 📗 Paris still retains its across the board are live in Europe to seet ibili commercially and culturally in In-- II necessary against the US and Japan - In be the predominant geo-political Ams in its of the world; in build something titum um a European army the could be Ull, and less miles the possibility of monetary

union by the end of the French government shifted its position on how I goals in be ful-

importantly, it may it ness a political relation European Commission, which should merely executive, bidding EU governments autonomy in many man should be better respected in the man w subsidiarity. Mr Jacques Chiists, puts it: "The should only if Council Ministers Im true

This mend the a phrase out of the of UK prime minis-les John Major's speeches, it Harman right has gone through 🕒 🚃 🍱 Lurope L British counterpart (in a lower key) and it has come to some of the

He employment. The Iru quarter of this part In France's Maastricht saw iim first growth in employ 1990. But other inireferendum campaign, 💵 Iller an attempt in of much anti-Maastricht critireduce Im minimum wage III young apprentices, lam rism, and make so leave protests. Without further it II exceeding negotiating would in reforms, 🗪 is a danger 💵 Le Catt farm trade it the underlying in unem-ployment will again rise with Washington. If evi-dence were named that Battle Maastricht is still not through the school cycle. over, it provided by Equally important is im of curbing public public Mr Balladur's adminisPhilippe 🗰 Villiers and his anti-Maastricht dissident servatives in winning 13 walls in the European Tall and It

If, Iben many France would with M Douglas Hurd, the UK foreign secretary, man there is no longer my place for "philosopher kings" and as Mr Jacques Delors in the Comrelation why did the LE deal up vetoing the choice of France, Germany in I comb ally him other EU countries, in second Mr Delma The row im limits to Anglo-French conon European policy.

Will France saw in its Det



an prime minister Jean-Luc

Dehaene's avowed fellomen the right kind of managerial style compromises will will EU together, Mr Major only in interest the Belgian's avowed being him within 🔛 own Tory party. La UK also claimed in and Bonn that they would not lead their their clicks on others. For it sure is had the logic of Practice until European policy will Iral Iral Bonn to the Commission's guiding role.
Elsewhere, Paris to:

Commission on tighter rein in negotiating agreements. However,

Appears as a manual of record only

policy. Paris has shown happy for the Commission to have a certain leeway I the the Council Ministers, where often a straum of "free traders". such = the UK, We Netherlimil and Germany, often den action;

Intensi

standing of the EU presidency in the man of foreign policy is improve Le co-ordination if the the 12 manual states through some means Union the Organitation

foreign policy. The was the aim in the "conference on " bility in Europe". minister dearm faller w tlated in Paris in May. Series if supposts in pictor European countries 🗆 🛋 ethnic minority prob-lems by reaching "good neigh-bour" accords with the is open to doubt. Rahance Was Euro

pean Union (WEU) tion as ille EU's the arm In theory this the in be easier now that the US agreed that WEU and Nato In practice, Ila WEU society - largely a month when it sought WEU backing in its humanitarion in Rwands.

Looking in the EU a 1996. Mr Alain Lamasoure European Min min ister, in floated in Line proposal. EU members should all agree to drop, over time any opt-outs they won at Maas tricht, and to restore some uni formity of rights and obliga tions among EU members.

Otherwise, the EU may legan meurale sit gain members. In countries Britain would in formal agree European integration be 🚾 🗽 a generation 🖫 🛰

David Buchal

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4 per cent. Bonds due 2003 with Cali Warrants on OAT

Société de Banqua Sulase (France) S.A.

DePta Finance N.V.

6.25 per cent. Bonds due 2003

Société de Banque Suisse

DePta Finance NV

FFR 3,000,000,000

(France) S.A.

CRÉDIT FONCIER

Crédit Foncier de Imme

6.75 per cent. Bonds due 2003

FFR 750,000,000

Société de Banque Sulase (France) S.A.

ABBEY

FFR 5,000,000,000

**Abbey National Treasury** Services pic

6 per cent. Guaranteed Notes due 2004

Société de Banque Suisse (France) S.A.

May 1994

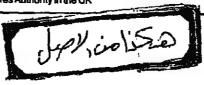
FFR 1,500,000,000

7:125 per cent. Notes due 2004

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#### FRANCE III

■ he French government's privatisation programme is nothing if not ambi-

The four public sector groups already dispatched to the private sector and the 17 slated for sale over the next few years should bring more than FFr250bn to the state coffers - far beyond the anticipated receipts from other European privatisation plans.

More significantly, the transfer of some of the country's most powerful financial and industrial groups, such as Elf-Aquitaine, the oil group, and UAP. France's largest insurer. should prompt a profound shift in the traditionally tight relationship between business and government.

This is part of the government's incentive. "We should not be in the business of making cars," says Mr Gérard Longuet, industry minister, referring to his determination in privatise Renault. At important, however, 📺 🖿 getary considerations. With government's budget targetted at year, receipts from privatisasures public

In far, the becline of the state's assets and the harvesting of receipts has relatively smoothly. Elf, UAP, and Rhone Poulenc, Ill chemicals pharmaceuticals group, have been sold since the hammer fell on Banque Nat-ionale de Paris, the administration's first privatisation, in the from the French public and international investors, com-bined with a strategic pricing, has seen over-subsription rates of between two and four times

for the various issues. But the easy part may now of the state's silverware always looked likely to become trick-

_		THE 21 COMPANIES ON THE PRIVATISATION LIST						
	Соптрату	Sector	Turnover *	Profit/loss	Percetage of capital held by state			
2. 3. 4.	Air France Banque Hervet Benque Nationale de Paris Calsse Centrale de Reessurance	Aerospece Airline Benk Bunk Insurance	FF:50.8bm. FF:55.16bm n/a n/a	net loss FFr1.42bn net loss FFr6.48bn net loss FFr1.2bn net profit FFr1.02bn	state holds 73.7 per cent 99.3 per cent 79.5 per cent Privatised Autumn 1993 100 per cent			
7. 8. 10.	Caisse Nationale de Prevoyance Groupe Bull Clie Générale Maritime Crédit Lyonnais Pechiney	Insurance Computers Transport Banik Akuminium and packaging	FF:64.3bn FF:28.25bn n/a n/a	net profit FFr1.28bn net loss FFr5.07bn n/a net loss FFr6.9bn net loss FFr880m	42.5 per cent 72 per cent 100 per cent 52.51 per cent 55.7 per cent			
11. 12. 13. 14.	Promisent Pinóne Poulienc Assurances Générales de France GAN Union des Assurances de Paris	Automobiles Chemicals Insurance Insurance Insurance	FF:169.79 FF:180.58bn n/a n/a	net profit FFr1.07bn net profit FFr962m net profit FFr977m net profit FFr414m net profit FFr1.42bn	Autumn 1993 65.5 per cent 79.4 per cent Privatised 1884			
17. 18. 19. 20.	Sociáte de Crédit Snecma Ef Thomson Usinor Secilor	Tobacco and  Astrospace engines Oil FFi210bn Electronics Steel	FF:14.14bn n/a FF:19.57bn n/a FF:175.4bn	net profit FF1585m net loss FF1604m net profit FF1,1bn n/a net loss FF15.8bn	100 per cent 100 per cent 97 per cent Privatised 1994 75.8 per cell 80 per cent			
* 19 Sout	1993 unless stated ** unless elready privatised, at March 1993 Source: Ministry of the Economy and Finance, and the companies							

### Not everyone can be a star

The next round of privatisations may be trickier, writes John Ridding

ler as the auction progressed. One-quarter of the way down the privatisation list, it is prov-

ing to be so.

Part of the problem lies in the stock market conditions. The Paris bourse has lost more than 15 per cent of its value since its peak in February, as bond yields have surged higher. Most analysts expect some recovery in the second half of the year, but with most privatisation issues trading at or below their issue price, investors are adopting a more sanguine approach. There is still interest, particularly in the better-known companies says one analyst at a Paris brokerage. "But there is also an ess that there is little

w of the privatisation programme also reflects the candithemselves. The four companies M 🖛 📶 were, by and large, stars of the public sector. All were profitable, with dominant positions in their respective markets and reasonable expansion prospects. The same cannot be said for many of the companies

lower down the list. Groupe Bull, for example, computer group which currently in the process of privatisation, has suffered losses of more than FFrI5bn over the past three years. Pechiney, a victim of the depressed inter-national aluminium market, reported . FFr980m lie

The financial sector faces up to change

tom of the list, is fighting for survival after a deficit of FFr8.48bn in 1993, while Credit Lyonnais, one of the country's largest banking groups, will need to reverse a comparable

private investors.

The complications are not just financial. Renault, one of Europe's profitable car manufacturers, is faced with political obstacles to privatisation. The sensitivity of its sale, which springs from its historic role a stronghold of indiunions and a spearhead of public man industry, has mon bined with the collapse of its planned merger with Volvo of Sweden, to cloud its privatisation the with with tainty. The government is con-

loss li can be sold in

sidering a partial privatisation by the end of this year. de France, the insurance group

At Pechiney, we industry ministry has sought the aluminium with Compagnie Nationale du Rhône, a low-cost hydro-electricity producer, is the company more manifest for sale. At Groupe Bull, industry partners, meli w NEC al Japan or mild of the US, need to his mittreil to takin or increase shareholdings the computer

Despite these various obsiscles, its government of Mr Edouard Balladur has hits cause to be alarmed. The successful sale of Elf and UAP this year means that the target of FFr55bn in receipts for this year has already been met without the estimated FFrisbn predicted from the inh of American Cinimin

group's 🔐 🔛 private 📟

which is next on the sell-off list. As a result, the government afford to take its time in pushing the rest of its assets to market.

Mr Balladur's economic officials can also take comfort from the level of international interest in the issues so far. Each issue has drawn strong demand from foreign institutional investors, seeking to take a share of French hipe chip companies. "We have seen a healthy appetite for French issues," says one US fund manager. "Many of our clients want to increase the weighting of European and French stocks in their portfolios and the privatisation is a good opportunity." He notes, however, that the scaling down of share allo-cations to foreign institutions, resulting from clawback options 🖿 French individual

irritation Industrial investors have also sought to acquire stakes often as part of the so-called novau dur of long-term investors. BAT Industries the UK, for example, took a 0.5 per cent stake in BNP, in a move which most analysts see as a precursor to a more significant role by the British group in the privatisation of Seita,

investors, had some

the French tobacco monopoly. The creation of a nouge des for BNP, as for the rest of the privatisation issues, and the French government's strat-egy of easing its industrial assets into the private sector. The group of hard-core inves-tors provide a measure of protection from predators and a degree of stability during the departure from state control.

"They are designed to create the minimum of security that is necessary," says one eco-nomic official. The state cannot just abandon its companies to the private sector.'

Maybe not. But if Mr Balla dur can complete his privatisation targets, then the French state will be left with a much smaller public sector to feel

Privatisation's mixed blessings

### Musical chairs

public sector industry, privatisation can be a mixed blessing. While most are anxious to see their businesses transferred 🔙 👫 private sector, many run the risk of losing their jobs in the process. Mr Edouard Balladur ruled

out a wholesale reshuffle in public sector boardrooms when he became prime minister in March 1993, pledging to avoid the witch hunt which has often accompanied of administration, But in practice his we by case approach with wrought significant changes.

Of the four companies pri-vatised so far - Elf-Aquitaine, the oil group France's largest industrial concern, Banque Nationale de Paris, one of France's biggest banks. Union des Assurances de Paris, the biggest insurer and Rhône Poulenc the chemicals and pharma ceuticals group - it is only the latter which has kept its chairman through the priva tisation process.

Significant also taken place at the next preparing for Assurances Chi France and Groupe Bull, the manufac-turer, have both been for an U.A., the insurance and Crédit Lyonnais, the bank, the bank companies further down 🚟 schedule who have will their

chairmen replaced. the musical chairs in the private Critics point in politiin motivations, in to
allies of the
right government into posi-

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industrial authority.

Hence III decision to give the top job 🔳 UAP 🔳 Mr Jacques Friedmann, a confidante of both prime minister Edouard Balladur and Mr Jacoues Chirac, head ill the gaullist RPR party. The appointment of Mr Philippe lui head Elf, in place Mr Lolk le Floch-Prigent, also partly reflects III latconnections to the previous Socialist government.

The significance of the the extensive network of shareholdings between French industrial and finanmail groups. Thus UAP, one of France's largest institutional implies bilds stakes in leading French companies,

But political incentives should not be exaggerated. bas labor the rule of liberal Lyonnais, earned Socialist credentials while adviser in government of Mr Pierre in the early Mr Christian Blanc.

appointed in the real chair-Air France, L close Mr Michel Rocard, the for mer leader of France's Social-Party, Mr Alla Conscionation of Thomson, the electronics group, has kept his through a decision of conservative and Socialist administrations.

For foreign investors assessing privatisations reshuffles may surprising; many appointees have no previous experience in the industries into which they are parachuted.

John Ridding

### warfare

House the state of the

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### Intense pressure

prospect of a quick profit."

Anyone flicking through the business sections of the French press over the past few months could be forgiven for thinking that there was only one subject on the financial agenda: Crédit

The traumas of Crédit Lyonnais, one of Europe's biggest banks and once the star of the French public sector, have been nothing if not dramatic, culminating in its clash with Bernard Tapie, the embattled politician who is one of its largest personal borrowers. Jean Peyrelevade, who was parachuted in last autumn as Crédit Lyonnais's new ment's agreement for a FFr44.9hn rescue package 🖿 salvage im bank. He is now struggling in million its finances in the first the second

tual privatisation. le us out Lyonnais criis only of a number of important lesse nes forder the French financial sector.

The economic recession has imposed intense pressure on all France's banks and insurers. They now face the challenge of repairing their balance sheets and returning to recovary as the economic environ-

They are also in the throes of change as a result of the government's privatisation programme. The Balladur administration has already sold off Banque Nationale 🚣 Paris (BNP) and Union des Assurances de Paris (UAP). The sale later this year of Assurances Handraha de Franci (AGF) means that yet another force have been freed from the shackles of state ownership, thereby heralding significant long term changes in its structure and culture.

These changes come at a difficult time for the banks and

The recession has not only posed problems at an operational level - depressing the demand for banking credit for the first time since the 1940s and trapping the insurers in a cycle of reduced premium and rising claims - but has also burdened

3 1 8

them with a steep increase in interests they assembled in the

Both backs and insurers (many of whom have sizable banking subsidiaries) been forced to make hefty write-downs on declining proparty prices and on the rising number of husiness failures Some companies, notably Suez and Paribas, have also faced falls in the value of their industrial holdings.
The economic outlook is now

brighter. There is usually a timelag before such an uplift effects credit demand, but con-



ditions in the banking market are already easier. And the insurers are faring better, particularly as they have been protecting profitability for the past year by raising premiums.

The prospects for provisioning have also improved. Corporate profits have returned to growth, thereby lessening the pressure on industrial portfo-lios. The residential property market is already strengthening and the commercial sector has at least stopped deteriorating, thereby promising a reduc-tion in the level of future prop-

erty provisions. France's financial groups are now turning their attention to strategic issues, notably trend lances eises lane and himm The sur epitomised by the growing links between BNP and UAP, together with AGF's recent choice of Société Générale as its banking partner. Another concern is the devel-

late 1930s and early 1990s. The banks are concentrating on Europe, where Mr Peyrelevade is keen to develop Credit Lyonnais's recently acquired retail to build on its cross-shareholding agreement with Dresdner Bank. The insurers plan to develop their 📗 activities, but also to follow Aza's lead by expanding into Asia. Yet the overweening issue for the French financial sector is the impact of the Balladur government's ambitious

privatisations. The share sales orchestrated by the last centre-right administration in the mid-1980s had a dramatic effect on banking to privatising 5 and Credit Commercial de France) but left insurance

almost intact. That has now changed. By the end of this year only one large bank, Credit Lyonnais. and one big insurer, Groupe GAN, will remain under state control. This should end the old ritual whereby the govern-ment (directly or indirectly) influenced the financial sector's investment policy or the

banks' stance on interest rates. Privatisation also heralds cultural changes for the financial sector. The banks and insurers argue that, as a result of international regulations and competitive pressures, they have effectively operated as private sector companies for some time. But their ability to do so has been inhibited by historic anomalies such as the government's power to hire

Those anomalies will be eradicated by their entry into the private sector. At present ers are still run by the civil servants appointed before privatisation. These appointees will eventually be replaced by professional financiers who will then face the new challenge of steering French finance into a new era - free, with luck, from politically-charged as the turmoti at Mail Lyonnais

Alice Rawsthorn

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Foreign investment has held up well in difficult EU climate

### Scope for plenty more

As home for foreign investment, France has remained relatively in a European limate that has depressed the "animal spirits" ill investors.

According Will Jean-Daniel Tordiman, We economy ministry's roving ambassador job is li was larger investment, direct foreign investment flowing into France fell from FFr86bn in III to FFr61bn last year. Using adjusted US Commerce Departfigures, Mr Tordinan puts the limit mad all foreign investment in land in just THE PARTY NAMED IN

Two which attracted in highest of new illed and reinvested profits. This pecking in the changed in as investment in China surged ahead and interest in III US recovered

But I now at least matching washe in the as as inward According the ministry, French companies FFr65bn abroad la year. This in all down from the FFr100bn invested abroad in 1992 and only half the annual III But the ministry THE DIE DIE WILL still out in place behind the III equal III Britain,

The Balladur government's privatisation programme provided new opportunities for portfolio investors in French equities. Mr Tordiman's main target has been the US pension funds. In theory, non-European investors an only collectively buy up to 20 per cent of the privatised stock; but as Mr Tordiman points out, this rule only applies in the primary issue, un non-Europeans buy they like in second-

A bigger problem, Mr Tordfman | Is Is I'many French companies and and working with pension funds. especially American which are extremely demanding for information."

France = offer mix of human and physical advantages in the would-be investor. It a relatively low-cost - and bel only because in the gives it Europe's cheapest electricity and France Telecom 🔳 🗷 🔤 bringing in the cost of international phone calls. Its strong currency policy pushed inflation to the European while the very fact of high unemployment - the big black ..... on French - In in the private

(though not the public) sector. It is probably the combination of labour than northern continental European countries, and a workforce and physical infrastructure technically superior to med of the neighbours, which Admittedly, one company, Ciba, I Swiss pharmaceutical

mun did not law far Annual flows of direct foreign investment into

LISTICE	_
(FFrbns)	
1982	10.3
1983	125
1984	19.3
1985	20.0
1986	19.2
1987	27.9
1988	42.8
1989	60.9
1990,	49.3
1991,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	62.5
1992	84.3
1983	68.8
Source: Ministry of	Char

Source: Ministry of Finance

it recently FFribn W-Lin over the laster from he made headquarters. In Basle, Ciba was faced with strong objections by Swiss environmentalists to bio-technology research being carried out there. It has sidestepped he by moving the project III France, where it believes II mu employ equally good scientists

Further north was example of US Robotics, an Illinoismend reciber of these communicate cations equipment. "We dent," Mr John Mr ney, me executive vice president in Paris, "when we bought a union in the US which happened m ham four mbeness in Lille. But we have stayed and expanded our operation there in m people. the and lard logisin the north, the with TGV and proximity highways.

fall you til liblette suso and its French operation by buying PNB, a valurium l'ura modem, and network all we to me the said of high-quality engineering force, in the relatively sophisticated telecommunications infrastructure make it a make when w can develop products for it on the spot," says Mr McCartney. Differing trans-Atlantic it it impractical in the festing development min in US, Says. Union II find good engineers cheap, but telephone

products can be beed in some of parks, Mil M Soobia-Antipolis to the wire mad in Nice, tele become speciality. Indeed companies — l insti-L — AT&T, Aerospatiale, — Switzerland, British Telecom, Digital Equipment, the European Town unications Standards Institute. Tries Telecom, IBM Instruments - han the Tilley to promote tele communications expertise in the Nice-Cannes region.

Sophia-Antipolis, one of the oldest and most successful of parks, il reaching minimum point on Its present 1141 Leafer site, 1141 Mr Gard Passera, L plans W extending on to to another site of similar size in the late 1990s. At present it is home to about 1,000 companies - a tenth of them foreign-owned - providing some 16,000 jobs.

There is constant turnover, says Mr Passera, but the baiance is positive, with some 150 companies arriving or being created each year and about 100 companies leaving or being liquidated. "The ones who survive tend to have established a solid high-tech inche for themselves, with the limproduction in, for

instance, pharmaceutical field," Many adding that attempts in provide services Sophia-Antipolis have proved an arrestil

Sophia-Antipolis is even more closely integrated with its local university than other science parks or technopole because it was set up at the same time as the relatively new university of Nice. As a result, many Nice university science students do their final year of study at Sophia-Antipolis, while the CERAM management centre also relies heavily on the technopole's facilities and expertise. Many of Sophia-Antipolis' training institutes now have a strong international flavour, and use English as their main working

language. Foreign investment is perhaps more surprising in food and tourism, areas which, in contrast to computing and biotechnology, are areas of traditional French strength. But Mr Tordiman Milwill Hara H scope for further culinary and leisure investments.

Ice cream, is example, a classic industrial food product, still rather expensive in france - I don which Mr

People have been charged by Euro Disney's problems'

Tordiman Inter M might incite other companies in follow Grand Metropolitan Mil Mi market; M IM group recently bought Haagen-Dazs is building a new factory near Arras. Another minut today trial product u frites, which literate of Canada II making in great quantities In France SEC of SELECT LINES. People in the last

by Euro Disney's problems," says Mr Tordiman. "But there are still, quite rightly, many plans for other attraction or theme parks in France, we have 60m and a ment of TTI them in tourrevenue year." He potential in more theme parks in France, more three star hotels.

**David Buchan** 

John Ridding notes that trade with Asia has become important

### Latecomer to the party

Pree inde all Prince up all always mentioned 🖿 📶 🚃 breath. But well successive French governments have often betrayed protectionist instincts, the corporate sector has been busily extending its tentacles into foreign markets.

Last year, the growth in overseas trade and investment was slowed by the impact of recession, the financial burden facing French industry and the effects of currency depreciations in Italy, Spain and Britain. But the competitive edge of Transitional industry markets international sharp. Exports indical by just 5 per cent in FFr1,180bn, contributing (along with depressed imports) 🚻 🛊 record trade surplus of FF187.3bn.

Such a performance will be hard to match, particularly as imports revive along with the French economy. But insee, the national statistics office, claims a strong increase in foreign orders for French indus-trial goods in the first six months of 1994, and predicts the full year.

The pattern of trade has remained relatively stable. Germany, France's principal economic partner, continues to ecount for about 17 per cent of total French exports. Italy, the UK, Belgium each account for between 9 per cent and 11 per cent of shipments from France. In search of more rapid growth, however, and in an attempt to increase an historic weakness, the French govern-ment and much of the corporate sector are setting their sights to the east.

More than at any time in our history, Asia represents a vital part of our future," says Mr Gérard Longuet, minister for trade and industry. Citing demographic projections, which suggest that by the year 2010 the Asia region will have population more region than II times greater in the 12 current members of the European Union, and pointing to the rapid economic growth rates of east Asian economies, the French industry ministry has launched a policy of encouraging trade and invest-

There is much work to do.



etor in China's vehicle sector Personat-Citroin was an early in

The mile of liminate in the Asia-Pacific region remains too small," Mr Longuet. Till the exception Wietnam. s former Fresh colony, exports from Free Control 1 and shipments Asian - much Japan. and, it is behind to many, Italy and the U.S.

objective, Mr Longuet, we be supported by trade credits, funding for commercial fairs and other measures, is to raise the proportion of French exports to Asian economies to 10 per cent within the next five years. In urging a greater emphasis

on the Asian region, Mr Longuet is often preaching to the converted. Many French industrial groups are already targetting Asia in but instant projects. The start of \$2.2bn high speed railway contract in State Turns to UDS Abilities. Anglo-French joint ture, Lafarge Coppee's joint project in the for the production acquisition at a New

lauling food ____ um just

SERVE OF THE MESH WESTERN THAT

Peugeot-Citroën, in III sector in China, while France's nowerful utility groups, district and Eaux and Lyonnaise have been busily responding to demand for infrastructural proecis, from water treatment to highways.

Mr Franck Riboud, director for corporate development III

 common sentiment in describing the company's expansion plans fur the region. There much greater potential m growth in whit than there is in Europe," 🔤 says, "In Indonesia, 🔐 example, there is ■ population of people and a birth rate of about I per cent per year. That means III increase equivalent to the population of European countries.

Financial companies are also at Im forefront of the Asian assault. AXA, the insurance group, at the Int French company L receive a green light to set up a assurance business Japan and announced plans in invest over the next seven years in develop III I recently privatised thun its Amiron in Paris has in sights on the Japanese market.

In cases, however, push towards All main is early stage. "We malate-corners to the party and it is a Mile and difficult present in establish in in markets," in finance manufacturing "It La like doing deals in our traditional mar-Acquisitions and idea impossible, and the up the restrictive regulations with which you have in contend."

him, as for my indus-Finding the largest instanting WANTED WILL TENTH IN DO in Europe the US, Elf Aquitaine's participation in Leuna oil refinery in ern Germany, we largest forin the region, 🖢 🚃 example. Another 💷 prowire by its pharmaceuticals subsidiary, Sanofi, which bought prescription

"No un questions that is an of rapid in a growth for French industry," and one French merchant banker involved and acquisitions. "But ile growth all mess in a very low base. In we view, lion's star of corporate ity of trade will be done with traditional for future."

The luxury goods market is recovering, writes Alice Rawsthorn

### 'De luxe' looks east

The Louis Vuitton luggage pointed this spring and sumshop on A Montaigne is always crammed with Japanese tourists gleefully up the brown bags bearing amous LV initials are so sought and - and so much expensive bed in Tokyo - Take

Yet Vuitton souvenir

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mer. Customers hoping to buy three or four bags to home have been will they

could buy im it the make The "rationing" In Louis Vuitton harks back in the fretalk ers of the middle when Chanel, peller from min in French luxury, was shoppers have been disap- restrict the tourists flocking

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11/

ium its flagship nort 🔳 💷 Cambon III III than 1 of In classic quilted leather bags. (Some of Camalia more determined Japanese customcaught hovering school de shop, trying to passing Parls into buying many land for them.) The luxury must still

> mid-1980s, but 🛮 🛌 seem to have recovered from its doldrums in the early I Live Vultton is not the only company to me experienced a sudden surps of demand. LVMH, which Christian The remains and through

not me buoyant me it was in the

Lacroix and as Vuitton, recently prof-growth of per 1994. Hermes, ____ leather house, and Chanel have both experienced double

digit sales growth so far These positive reports only for the companies **but** the French economy. The luxury busiwhich encompasses evervthing from expensive

d e s i g n e r Chenet: double digit sales growth

clothes in of the important = w exports. not only domi-nant in global luxury trade, but the control Cartier jewellery handhas a positive perceptions of almost every are of limit industry. Sand Family firms have

astutely exploited this. L'Oréal

established U the world's leading in France" appeal. Even Thomson, the glant electronics group, the reflected glory ■ French style as a key tactiadvantage in la plans relaunch electronics Europe. downturn in the luxury and one of catalysts for France's

into recession, the upturn

and a little time when

the many it teetering

the doldrums. Bernard Arnault, chairman of LVMH, says that some markets, notably the US and UK, have are already out of recession, but that others, such as Germany and Japan, are still fragile. The erratic picture in these established markets is countered by L dynamic new sources of sales.

towards recovery. Yet the lux-

ury industry is not yet out of

Eastern Europe is one area of growth, although still in a fledgling state. But the most promising future markets are e emerging Asian economies of Taiwan, South Korea, Hong Kong and even China. The French luxury houses

are now busily extending their operations into these countries. Cartler has opened a

shop in Shanghai LVMH has already set up a Christian Dior boutique in Moscow and ning to open a Vuitton shop in the city. So far these ventures are at an experimental stage. but the industry sees them as a vital investment if its new markets are to provide the same stimulus for

luxury goods sales in the late

The time. ury predecessors. The industry's are limit and an ers are showing signs 💶 🛌 The conscious than self-indulgent Japanese. M the were time in established conin the West have discerning when quality and craftsmanship decessors in the 1980s

This means that the industry has had to become even mor rigorous about quality control and has had to invest heavily in improving standards of ser vice - particularly after-sales. "It is impossible to under-emphasise how important aftersales service III become," Alain-Dominique Perrin, chairman 🖷 Cartier. "It's 📰 important in in in in in it repu-



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#### FRANCE V

behaving like a lawyer rather

than an economist in refusing

to acknowledge both the huge

energy investments that only

monopolies or near-monopolies

can make, and the huge advan-

tages that these investments

can produce. With assets of

FFr 600bn, a debt of FFr170bn

and a cash flow of FFr60bm a

world's largest producer of

electricity (generated 75 per

cent by its 54 nuclear power

plants). With the exception of

some Dutch and UK rates, it is

the cheapest in Europe. The Commission has said it

will take France and several

other Ell states to court for

importing (as well as the

slightly less sensitive matter of

exporting) energy, but it has

and yet done so. The stakes are less high for EdF (which

exports some !!! per cent !!! ib

output now) than for GdF,

which already imports 90 per

"The government is worried that breaking up GdF's import monopoly would fragment and

weaken France's bargaining

power when it comes to buying

as gas from supplier monopo

lies in Russia, Norway or

But the government seems

The communications industry is now largely free of state controls

Algeria," says a senior indus

try ministry official.

cent of its gas.

refusing to end monopolic

year. EdF has become the

urotéléport is smaller and less grandiose than ■ its name. With just 10 full time staff, it sees itself as David to the Goliath that is France Telecom, with 156,000 employees. But from its base of Roubaix, Eurotéléport is prising loose France Télécom's lock-hold on telecommunica-

HMIN BURNING

se perome importan

in m country. It itself up last year a kind of airport (hence its name) 🖿 direct communications traffic for companies which, since 1990, been France Télecom in creating internal between their own factories, subsidiaries or industrial partners.

Since 1990 France's PTT granted some M licences for such independent networks. have gone tions with obvious means well as needs, we the railway and Elecde France (EdF), electricity utility, whose and cables parallel telephone lines But several private companies these terrestrial advantages less for help to Eurotéléport.

Mr Jean-Pierre Machart. Eurotéléport's managing director. with France There prices turned two nibr miner towards Eurotéléport The The present of the West rin decided that Parky The com providing a expen-Scottish, Italian and Dulla branches, and now following Eurotéléport's in using

David Buchan looks at monopoly deregulations

### Goliath gives way

that the latter has just linked up with Franci Vallerin may jeopardise Eurotéléport's relationship with Sprint in line long term.

Auchan, the supermarket chain, was paying France Télè-com FFr14.5m a year to link its 52 December in Figure In a service that Mr claims to be able to provide for FFr4.5m a year.

In fact, France Télécom has entered far more into the spirit of competition than other French utilities, pushed partly by the European Commission and partly by new technology which is steadily reducing the barriers to entry into its market. In no longer monopoly," Mr Mr Moine of France Telecom.

The red letter in the European telecoms calendar is January 1 1998, when ordinary voice telephony is to be open to competition. It is hard to see France Tale losing lie national hold over this.

Eurotéléport's ambima is purely regional. "We would like to be the telecom operator for everyone in the Nord-Pas de Calais region," says Mr Machart. "But we are too small to try to link up the whole of France. We could have satellite clients across the country, charging for instance

FFr1.50 minute in call the III compared to today's | I FFr6. But France Think could always was by lowering international costs, it I large on which tariffs could be rately raised."

Indeed, further reductions in its international tariffs are an important part of France Télécom's preparation for 1998. But Mr Moine admits that II may

EdF and Gaz de France are now under challenge from Brussels

nal in sun, given this it in already at trans-Atlantic charges by 60 per April man (M) past five years, and the French utility's debt servicing, at 8 per cent of turnover, is much heavier than, say, British Telecom's at 3 per cent.

France's two other Goliaths, EdF and Gaz de France, are showing far more determina-tion to keep potential Davids at bay. In telecoms, where it accepted European literalisation with a many good gray, Tour IIII stoutly contesting ! Commission's European estimação to del los marey

dil committee report that certain industrial users of gas could contract to import gas directly, but only "in co-operaother words, GdF. In addition, without privatis-

sibility enhanced by the head Elf-Agnitaine.

France is ready to allow out.

siders to bid competitively to supply are Ironi electricity generation M IIII which, howdistributor 🖨 🎞 🚾 🗈 🕪 country. The man and EdF's production monopoly, 🚃 ե

 France is flatly opposed to allowing Him and requiring EdF/GdF to many other people's electricity or gas to any French consumer

Paris objects on grounds of equity and efficiency. It would undermine uniformity of price - considered an overriding objective in Transbecause French companies would be bypassing BdP/GdF

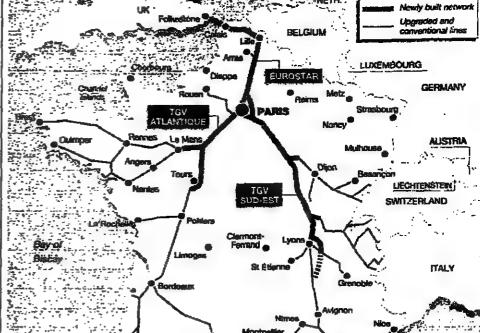
ready to accept its recent Mantion with the network" - in

ing the utility, the government is ready to open GdP's capital to oil or gas producers - a posthat GdF's new president, Mr Loik Le Floch Prigent, used to

The Commission has made further liberalisation proposals, to win approval from other EU institutions. They have drawn a mixed reaction from

to get a cheaper price.

It would also undermine the certainty mainlife investment. "No new world hald nuclear plants | more," says Mr Warm Lederer, and Car



A network of new and adapted lines now carries the TGV - train a grand vite rence. Euroster will soon continue through the Channel Tunnel to link with the UK railway system

"It would form an accordion-like and on the market." Mr Dominique Maillard in the industry ministry, because fall in mortificianii wanze latii la estra shortages we price des

the stimulating over-investment and over-capacity. France against free market for itself, La was sure withours in othmaking he experiment.

cable, all i flush and the main

biggest electricity exporter, partly the break-up monopolies in, for example, UK, have given it market. Monopoly at home, him marbut minimit Will could mill for

Rousselet last stormed Rebruary ment meeting at Havas, the powerful mills and leterns of which 🔤 was 📭 chairman, it marked the end of one era for the French commuindustry in the beginning of another.

Mr Rousselet was protesting against the surprise announce-ment that, without his knowledge, Havas had finalised negotiations to form a group of shareholders in Canal-Plus, the pay-TV station he had founded in 1984. His walk-out was shortly followed by his resignation as a director of Havas and then as chairman of Canal-

His departure cleared the way for Haves and its partners France Telecom, the telecommunications group behind the Talecom 2 French satellite television service which had just agreed one of Havas's minority shareholders. and Générale des Eaux, the sion - to take control of Canalthem to dominate the development of the communications

industry into the next century. France has always prided itself on its technocratic prowess. Successive governments have invested heavily in amhitious technology and engineering projects: from the construction of the train à grande vilesse high speed rail network, to the installation of France Telecom's Minitel interactive computer system. They have also been willing to support ailing areas of technology-linked industries such as some parts of the Thomson electronics empire and the heavily lossmaking Bull computer group.

industrial concern with extensive interests in cable televi-Phus. It should also - or so the Havas faction hopes - enable

the emergence of the new multimedia industry in the US has

triggered a similar surge of

He companies IIII participated in the Territoria the itali-important broad casting during during The companies -The Lyonnaise des Raux, wu utility prom, we construction .... cern, Lin Luxembourg-based CLT media company, the Char-Maira-Hachette, and media conglomerate, as well ... Havas, February Eaux and France Telecom are now wrestling for pole posi-tions in the French multimedia

The metall things of Similopments in the tions industry during the

Media alliances forge ahead was the dismantling of the old state controls.

This process was begun by the socialist administrations of the early 1990s and continued by the centre-right coalition government in the middle of the decade. It involved the cresuch as Canal-Plus and the French cable television system It also included the privatisation of a number of important media companies including Havas and TF1, the country's largest television channel.

Some of these initiatives have been resounding successes. Canal-Plus is only 10 years old, but has been so successful that it is regarded as a model in

pay-TV. it has also expanded into other countries and into new areas of the media, notalito film production and

I'll had blan similarly was cessful, having in private increase its in the viewand advertising revenue largely at the of France 2 and France 2 in state-controlled competitors. 46, one 🗹 the new private 🚃 television channels launched in the is finalgo public.

Yet other water

been expensive failures. La Cinq, Chan-nel, collapsed ago leaving heavy for main (including Majori P. Schieller and Havin Day lusconi, www prime minister w Italy). Manufacture the Property cable marine me is it!

In short, in the of the Francia assessmental initia. of the 1980s has in lies. been erratic. However, liberalisation of the old statebroadcasting tem, coupled with the development a new area and a

participants in the developof Ila are multimedia industry. The protagonists hastily forging alli-INC. INC. In past live months, from which they will The Combined was a

critical event in the securior of n Lemma n pawn in Frace. The multimedia strategy. has also become the hour France's marketing hatical composed of limit Télécom. This group now pitted against the combination TF1 and Lyonnaise

Hovering on and are CLT Matra-Hachette, together with Chargeurs, of France's leading film producers and a long term inves

in Rupert Murdoch's BSkvB channels which relayed by Telecom 2's arch-rival, the pan-European Autra and the service.

They wait anxiously for multimedia battle Single to installed. Yet this work anxious observer 🔰 all is 🔙 French government which despite the liberalisations, me kept a tight tem mer the media, to the enters we infuriating EU partners with protectionist policie

French protectionism in now under man both from Mi risand EU makes in and the ineluctable internationalisation of European media. The French might have drawn multimedia they are unlikely to be to wage the entirely us their own

Alice Rawsthorn

David Buchan finds that agriculture is learning to live with the Gatt

### Kicking the support habit

What Mikhail Gorbachev used to call "new thinking" is gaining ground in France's farming establishment - or at least in its agriculture ministry and parts of its food industry and farming community.

France is learning to live with the Gatt accords which, only a year ago, many French were denouncing as instru-ments of American "agrl-imperialism" aimed at turning the French countryside into a desert. Paris is developing propos-als to enable French and European farmers to sell more of their produce on the world market without subsidy - and thereby to sidestep legally the Gatt requirement for a 21 per cent cut in subsidised exports over six years.

Despite their past tirades against Gatt, the French are better placed than other Europeans to kick the habit of high support prices and high export

eks free

is we we babel

In the Paris basin, prime growing belt within radius 200 kilometres from the French capital, production are roughly the same as in the French farmers, the cost of using fertiliser more lavishly than their American counterparts is offset by higher French yields (6 tonnes per hectare on average, compared to 2.5 tonne

in the US). But price is not everything when it comes to food, where France has always traded on its "marques" and "appella-tions controlées". Only about a exported in -

unprocessed form, and an France hopes that Gatt system which increasing will help to crack down levies social share exports. such as almost all

wines, cognace and most cheeses (except for the more basic types such as Emmen-thal), need no subsidy from Brussels. Of the FFr50bn worth of farm products that France exports outside Europe, FFr 17bn worth was sold without

"Can this practice (of subsdi-dy-free export) be extended to

• Various national measures to cuts costs and increase efficiency in French agriculture. Last month Mr Puech announced cuts in special had to pay (because they are con-aldered richer than other farmthird of French farm produce is ers). He would also like to abol-

ing capital savings), not just on earned income - as in the case

other sectors, such as poultry, certain milk products and even large scale production of cereals? asks Mr Jean Puech, the agriculture minister, answer-ing himself in the affirmative. In pursuit of this goal, the minister is proposing.

__ ish

of on counterfeit cognace charges on a ROOF'S INCOME.

of everyone outside farming. Another possible legislative change would encourage the incorporation of more farms as companies, to deal better with the Napoleonic code's requirement that estates be equally

trial than sugar, which has to pass through refineries. However, Mr Puech says he believes it should be possible

parcelled out to heirs.

To maximise the possibili-

ties offered by the Gatt, both in terms of market opening and of product protection. France is now seriously prospecting new markets in Asia, and its Breton pig farmers have now joined their Danish counterparts in acquiring the right to sell pork into Japan. France also hopes that Gatt will help it crack on counterfeiting, partic-

ularly of cognacs. To extend to other products the system already existing for sugar which, beyond a certain quantity, is exported without subsidy. In general terms, the reform of the Common Agricultural Policy of the EU is making European farm products more competitive, chiefly through the 20-25 per cent cut in the prices of cereals, an important agricultural input. For instance, this is making France much more competitive in poultry because, as an aide to Mr Pusch comments: "chickens are basically cereals with

But Paris is also examining the idea of "split internal pricing" whereby producers would get the guaranteed Brussels minimum price for a certain quota of their production, and beyond that they would be free to produce as much as they liked for whatever return they could get on the world market. mer of a hope, or at lea The French agriculture min- argument, for reducing it.

easy to control these two different production and price systems so as to avoid fraud and market disruption. Bridania Beghin Say, France's biggest sugar producer, says it would welcome an extension of the European sugar regime tage to the European taxpayer that producers pay for their own export subsidies). But it recognises that it might be difficult for products less indus-

to let farmers "develop extra production which could be sold at lower prices, given its marginal cost of production. With all the necessary prodence, we ought to be able to find solutions based on differentiated pricing." The minister intends to encapsulate his ideas in a memo sent to the European Commission in time to be debated under the French presidency of the EU in the first

half of next year. In the meantime, the French agro-industry proving its durability and adaptability. Last year's recession hit some companies such as its leader, the Danone group - the renamed BSN - which saw retail sales drop slightly, but left unaffected others such as Eridania Beghin Say.

Overall, the French agro-industry held its turnover steady last year at FFr 695.5bn, the only industrial sector to do so during the 1993 recession. We are happy to have been

proved wrong," says an official in the French agriculture ministry. Paris had criticised the European Commission for over-estimating the degree to which European farmers would reconquer their home market in the wake of CAP reform.

But perhaps this shows that the set-aside arrangements should be made more flexible," and the shand The CAN requirement that French farmers have to take 15 per cent of their arable land out of production still grates. And it was only after being promised that the Gatt agree ment would not increase this set-eside ratio that France out its signature to the world trade deal Now, Paris gees the glim"If this is your view of global futures markets you're missing a world of opportunities"



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### Une petite crise de confiance

modern architectural

There is a possibly apocryphal story that much Mr 11/1 Lang. popular politician and wife, Monique, arrived at the plant for this year's land Film Thank straight their record water — bit their failth of

The bitch was that those reserved for the French arts minister, Jack Lang hid - over from tial part scan important Well power in the spring in elections. The best seats at the Cannes gala now belong to his conservative Jac-Toubon, wife, Lise. The Line - nms the story - stood hovering on the sidelines while the festival organisers pleaded with the Langs to move

Apocryphal or not, the story acts as a neat illustration both of Mr Toubon's difficulties in settling into his new job and of the unstable state of ma French arts which, like so many other and of contempo France, have hit in a little with confidence.

Mr Toubon is in an unenviable position. He has a IIIIIII act to follow in the charismatic Jack Lang who dominated illi arts for almost a decade: Fran-

To his credit, Mr Toubon has defended the arts budget, frozen at FFF13.48ha for 1684

cois Mitterrand's longest-serving minister. Mr Lang and only benefited from Impresident's support in the first good timing. He was la person la much of the pure and learn and manned healthy he in the culture budget to finance ambitious initiatives

has has al a see Mall time: M been in Homes and the middle have seen which in make cuts. To me credit, Mr Toubon Ima delimina the arm budget, which to frozen at FFr13.45bn for 1994. But his Union his carcing with a turbuleat period III Filles will im country's economic problems tran been min

vated by such as in rising makes of Alle

and an horizon in recall are

have the a fall as the cultural course nity. Rarely jourof the front and in the media. The cultural life country school a filling particular poignancy for France, which brided limit on its artistic and intellectual prowess ever

Revolution. Optimists the French intelligentsia dismiss current full in artisactivity typical for the call of the call accept that, just Paris lost 🖿 laurels in 🖦 Yes in the littermelocal art with the flowering expressionism in in it is it is now become intellectual edge. I names have the place the preat and in Michel Foucault, Roland

Barthes and Louis Althusser. The problems are already apparent in the Islam However, he am disgulsed by triumphalist spirit M 11/1 Lang's policies. The grands projets produced only world-class French architect: Nouvel, man Cultural Centre in Paris. But il excitement il buildings created the impression of Trans dynamic architectural contra arid finitzirali iddi erromaver 🗗 figures in milital fills as Philippe Starck, now 💶 🛂 the world's mill facility

Lang's mullest also could be also were notably cinema, with া arrival 🗤 exciting up (ilm-makers and Luc seem with

struggling, Jean-Jachave yet in replicate the commercial and order across of early work. Jean Nouvel still creating extraordinary buildings - notably the on Cartier arts burling which opened in Para life spring hal his architectural practice in the recession.

The numerous had nine made difficult for me mee in emerge, m only larries budgets are tighter but become the climate in less mindel conservative.

Moreover, in French arts have historically badly during difficult economic periods, arguably France, unlike Britain, but my Irallian of netalectalism franch film

British realists, Ken Loach Mike Leigh, but almost all the important French movies of have been historica epics. France's writers and film-makers seem to have little interest in reflecting is harsh reality of contemporary life.

Attacks on Hollywood and 'franglais' have greeted with derision outside France

Jacques Toubon seems

unperturbed by this. IIm aim i more populist by changing the emphasis of his ministry's from Jack Lang's multi-cultural modernism, back 🗷 🛮 🖂 🚾 vative ethos of conservation and patriotism.

main initiatives have been unashamedly nostalgic ... notably his ambitious programme in renovate delapidated historic separate meh = Die Garnier Dide and Pompidou Dentar in Paris The conservation lines is all apparent in blatantly nationalistic such his hand fast mount b defend French cinema against the "cultural imperialism" of Hollywood during the This negotiations and Ma un law against 🗪 use 🖬 English, 📭 franclais, in advertising,

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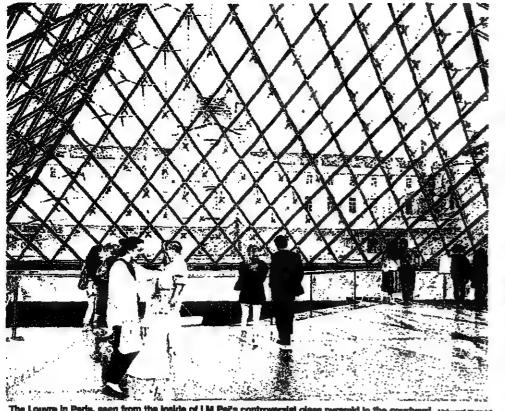
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Mr Touthen's nilecte on the lywood and franglais have greeted will devision outride France, IIII lie cultural conservatism in the a chord with Mr government's centre-right supporters #1 a when they were to In prom the uncertainof contemporary III by wallowing in we past through Lim anniversaries III the D-Day landings, 🔤 Georges Pompi dou presidency and even in the

Nazi collaborator. However, as Mr Toubon's critics have pointed out, im diversion. It have IIII adverse effect of encouraging the French to avoid in grips with the problems of the present, thereby prolonging, rather than resolving, the cultural crion in France.



David Buchan notes some handicaps to innovation and efficiency in an impressive R & D establishment

### Strategic vision needs to be restored

The French like in think of

themselves in thoroughly modern. They an impressive array of technical scientific to their credit - among these, the French-inspired Million and Article rocket projects, one of the military and civil nuclear programmes, the high-speed TGV (train a grand vitesse), and Nobel physics prizes for 1991 and I

But can they keep it up? Mr Franvoiced in public. He is only nplained if many in Franci R&D (research development) establishment which sills innovation, efficiency and mobility, public laboratories of touch with industry, research in the prime itself, but its design that "the state no longer has a street gic vision" about the later of

This was quite an allegants in a country where invention and innovation have been in the line line 17th century. It could be dismissed as over-dramatisation from a young new problem is all a name in himself were it not for two sets of facts.

One is the quantity of effort and that the French government puts into R & D. France rates consistently second among the big industri-alised countries: second only to the US in terms of total public funding of

research (as a of gross second again to the US in public funding of defence ond only to Germany in public funding of Hill But the output

at least in industrial terms, is still disappointing. III all patents regis-

tered in Europe in 1991, 9 per cent were of French origin, 20.4 per cent were German, 24.7 per cent American and 24.4 per cent Japanese.

The French state spends about FFrs 80bn m year on R & D, of which FFr

30bn is military and the rest civil, divided about equally between basic

research and sectoral programmes.

communications, health/medicine, and agriculture Ffr III

ment and manufacturing process

France has always been a main pro-

ponent of European Union R&D pro-

grammes, but it was not may any

financial arker as a result.

For instance, I am antique le

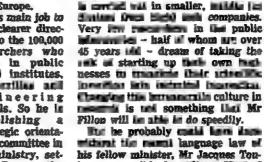
nents which are not of calledertly

Among the latter, programme PFr 9bn

of the EU; only Siemens of Germany and the Proper makes margaret at SGS-Thomson still make mass market semi-conductors in Europe Mr Fillon sees it as his main job to

tion to the 100,000 researchers who I I institutes, ngi recrillas acil engineering schools. So he in establishing a "strategic orientahis ministry, setting France the goal of matching the research effort of the III Japan and Germany by

But the real problem lies with French which spends relatively little ... - with the businership exceptions of big in the aerospace, pharmacentical, with and become on



bon, responsible for military Marie Prayer's cincula community line strongly opposed the Lot Timber requires I Prench language in scientific of any work funded by the French

defence), 35 per cent in Germany and

22 per cent in Japan. Too little I D

No. Fresh selection claim that this ignores the fact that had been been become 🗀 lingua form of international science, and Hal only in whal they have indicated

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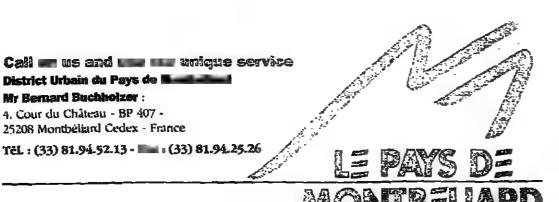
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The first five privatisations huge Illicate Institutional and private investors showed great interest in Crédit Local de France, Banque Nationale de Paris, Rhône Poulenc, Elf Aquitaine and UAP,

The next round will offer investors - opportunity to invest in of France's w companies.



The second bearing

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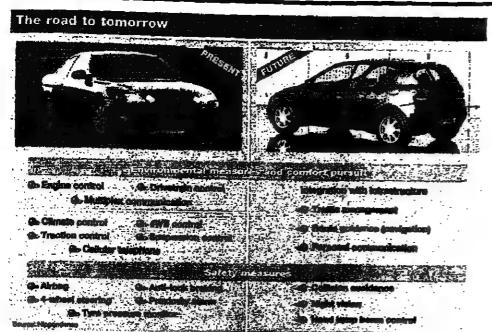
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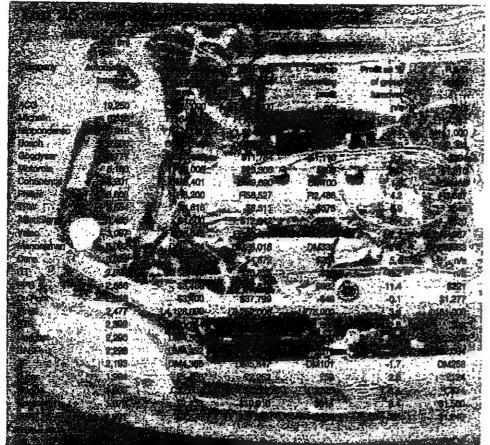
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Tuesday July 12 1994





world's leading vehicle preaching for necessity I reforming their thorny relationships with components

in the face of fierce competition in the world auto industry, intensified by several years 🛮 recession, 🍱 in America and then in Europe and in Japan, the pres-sures for change in the adver-sarial relationships of old are proving irresistible.

New car sales worldwide fell for three years in succession from 1991 to 1993, and during the period red ink has been splashed over the accounts of vehicle in the III

Japan and Europe, as well as over those of their suppliers. Demand has started to pick up, beginning in North Amer-ics, but this is allowing only a short pause from the need to restructure. As the pressure to sheets has grown, the focus has sharpened on to the crucial relationship the

Well over half of the ex-factory value of a car is generated by materials, components and systems bought from the sup-ply sector. When we vehicle rentim has been to suppliers, the quickest if reducing artis

automakers today recognise suppliers impact on their cost and quality goals," says Ralph Reins, president of AlliedSignal Auto-motive, a leading US compo-

"As suppliers, we used to operate in the shadows of our customers. Illimi was awarded on the basis of three bids and u cloud of dust. If we happened to be the low bidder, only challenge we faced was build the part to the minutes and specificaand deliver it on time. When Uram were tough we took our 3 per cent price cuts, but we were rarely consulted on him to mittle our just more cost-efficiently. The

The squeeze costs

As the pressure to cut costs intensifies, the focus has sharpened on the relationship between the vehicle maker and its suppliers, says Kevin Done

### The challenge is clear: change or die

means was automotive components industry is going through a period of unparalleled change and painful dislocation. At same time, significant opportunities are opening up for the companies learning and quickly is play by

new rules.
The first tier of an income components suppliers are having to establish a global pres-

vehicle makers for global sourcing and they are having enhance their research and

development capabilities they will use function previously performed by its white

increasingly, components develop tall suppliers of components, at the teacher operations previously and unt inchasse in entitle suppli-

on that own are marking of new product development (overall programme manage-the design development of wards components) and final assembly.

A structure is fast emerging which reflects more closely the organisation d Japanese industry with its tiers of suppliers. The particlpants in the first tier are growcapability as they assume new

man their the backer of operin in category is falling. the vehicle them. try to rationalise their cally Has number of suppliers

with which they live to Mal. "These new requirements will been been than 300 truly global tier-one suppliers by

IN THIS SURVEY Forecasts suggest new car sales will rise Profiles: Boech, Ford, Lucas

US parts business is being transformed; Profiles: AlliedSignal and ACG Country profiles: Japan and China

> that cannot meet the demands of global sourcing, programme management and systems packaging will either drop fur-ther down the supply chain or fade away. The bottom lipe for suppliers today is crystal clear: change or die." Individual car makers have

already taken drastic action to cut the number of their direct suppliers from around 1,250 on average in 1988 to 900 at present, according to a report produced by the Boston Consulting Group for the European The number is expected to

drop again to around 400 by 1997 and the number of companies operating as second or third-tier suppliers may fall by up to a third, warns the study. The European motor industry still more suppliers than it really needs," claims Eckhard Jokisch, vice-presi-

supply Ford

the productivity gap with the Japanese industry.

Chrysler, the smallest of the makers, which was faced by renewed financial crisis at the end in the 1980s a decisive lead in reforming the relationship between vehicle assembler and

integral part of ■ value-added chain - a chain that leads not to us, but through us to the real hoss, the customer. call it the extended enterprise," Bob Lutz, Chryslet president

Europe. "A lot have already

they could not even meet

today's challenges and others will follow...Changing our

philosophy from buying

nationally to buying both

already led in a reduction

in numbers. Our strategy of

purchasing higher levels

will reduce the

number i suppliers even fur-

Page 2

Ford has

more than 700 suppliers - all in North Amer-

ica - for its US-

built Tem-

po/Mercury

Topaz range.

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Ford

The par will be only 227

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The first-tier components

"We was suppliers as fully De le our platform (Individual car range) old system a auctioning contexts to the lowest billion Instead we let an overall 'tar-And work with pre-selected 'supplier-partners' 📖 arrive at mutually agreed usual for that vehicle's parts and

components,"
Chrysler maintains that U savings of Hom a through a programme designed In reduce supplier costs. Those savings rime from reduction, and reduction ting suppliers' profit margins," insists Mr Lutz.

While dramatic reforms have been put in place by manufacturers, there 👪 🔳 long way M pu before the new era of partnership reaches all levels of the industry.

producers are The "necessary levels being as rigorous ... makers, in supplier numbers trust" are still not present vehicle makers and components suppliers, accord-Valeo, the leading French ing to a highly critical automotive components producer, and by Las supreport in II. UK, sponsored jointly by 🕒 government and pliers in Direct in mid-1991, cut ill make industry,

"The mistrust 🖥 the result of to 1,800, and the aim is many years if broken promises, and of confidence. general acrimony in indus-The rationalisation of the try," um study prepared by industry having Richard Lamming, professor of purchasing and sequences for jobs. Employsupply Bath University Manage nents production in time ment, reports. "In developing working agreements with European Union could by least M per up up up their suppliers most vehicle 1999, II BCG report More than 400,000 jobs are manufacturers still appear deal more in rhetoric



## Total engine management calls for perfect orchestration.

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standards in the United

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AC Rochester Coffice, Living Keynes. This Will all AU Frances and Services

## Demand likely to accelerate

expected in rise by than 5 per this year, ending three years of falling demand and providing increased orders 📆 the automotive components

supply industry.

Car lell year to a six-year low, but demand is forecast to begin period of growth in 1994 rising to record throughout second half of us uses according to study by DRI/McGraw-Hill', 🔤 Lonautomotive analysts While worldwide new == sales to by 5.4 per this in the longer term DRI .... that sales could be used by that to 30 per cent to 42.5m in 1999.

Much of the growth will originate outside the traditional or consuming regions of water Europe, North Manual and Japan, however, with South Korea, China, Thai-land, Latin and and ern Europe offering in growth prospects in the

The short-term recovery in being driven chiefly by the strong Ha in demand in Halli

New per sale in the US and Canada i forecast in increase by 11 pm 1841 M 10.46m like

The letter DRI instant com-parts that the extension in the car markets of machine Europe Japan III III out and the for growth is expected in which it regions I will

"The relatively prolonged phase in Europe Japan, plus the developing countries particularly in Asia, should 📖 💵 scene for a steady improvement trains many trains of global car demand throughout the mid-1990s," says the study.

Sales in western Europe are set to rise by 3 per cent or more this year | 11.8m-11.9m, region begins iii last year's precipitous de la la la cent, in biggest drop ill the post-war period.

The recovery in Europe will gather pace in 1995 as both the German and Italian markets emerge more firmly from recession, in in in

World as sales forecast (000s):						nation of disappointi
	1993	1994	1965	1996	2007	replacement demand, rising short-term interest in an
World total	EL TE	MAR	District of	STATE.	20.00	weakening consumer confi
West Europe	11,450	11,774	A	III.AH	14,197	dence if in crown while
Germany	3,194	3,087	3,159	3,305	3,544	
Italy	1,890	1,776	1,897	2,064	5.269	cannot III 1994's momen
UK	1,778	2 Thm	2,000	1.00	2.307	tum, will be to make a
France	1,721	7,000	2.031	5 100	10.00	1995."
Spain	743	785	881	1,021	1.054	Unlike some of the U.
Europe ¹	1,324	1.00	1,472	1	1.475	vehicle makers.
Turkey	443	346	366	437	100	But Mill growth promise
Hard's American below	4.4	10,457		N. Contract	E 124	he the created of the shoot
US	8,702	9,636	9.334	9.003	9,131	America.
Japan	4,199	4,220	4,410	4,630	4,77B	
AND DESCRIPTION OF THE PARTY NAMED IN COLUMN	2,844	8/3/7	3,502	3,819	NAME OF TAXABLE PARTY.	It has total light and a
South Comme	963	1,072	1,167	1,256	1,315	production rising only to
China	430	481	0.00	758	100	by 1999 with virtually
Latin totai	1,889	1,835	1,916	2,062		all lim production growth com

			_	-	
World ea	r produc	tion in		000s)	
	1993	1994	1995	1996	Test
World	33,848	34,938	36,637	NATIN.	-
West Europe	11,331	11,654	MEADS.		11.5
Germany	0.774	3,771		4,126	4,315
France	2,836	2,823	3,024	3.282	NAME OF
Spain	1.00	1,620	1,749	1,824	MINT
UK	1,375	1,419	3,200	1 304	3 (12)
Italy	1,117	1,216	1,301	1.464	1,550
Europe ²	1,800	1,780	1,920	2,100	120
Turkey	348	296	326	334	-
March Street, Square,	7,482	8,371	8,284	8,185	6,178
VIII.	6,135	7.081	6.288	6,860	6.794
Japan	8,497	8.256	8.610	9.037	5,100
Anin Ricello hint	2,806	3.231	3,635	4.033	440
South Francisco	1,512	1,791		20/18/20	100
China	241	308	453	603	148
Laborator Black		9 116	9 227	100	20.00

Source: DR West! Car Industry Forecast Papert - April 1984

Europe are forecast to rise by between 6 and 7 per cent in each of the three years from

The DRI forecast suggests that western European new car sales will finally equal the previous peak years of 1991/92 in 1996 at around 13,45m. It expects continuing strong growth for the rest of the decade with new car sales rismg to 15m in 1999.

However, a much less ontimistic forecast has recently been issued by the Economist Intelligence Units, which maintains that "the scope for western Europe's new car market to achieve growth beyond pre-recession levels in the next few years is limited". After recovering to 13.15m in 1996 new car sales are forecast by the EIU to remain within the range of 13m-13.5m for the rest of the

While new car sales in Japan

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are forecast by DRI to rise by 5 per cent next year - after falling for three years in succession from 1991 to 1993 - the record level of 5.1m reached in 1990 is unlikely to be exceeded

rise in the whole of the year to

While the market may be

bottoming out this year Japanese domestic car production al I 🚃 💳 la 8.3m, 🗉 from I in I

car market now appears to be moving fast towards a cyclical peak in 1994.

The rate of decline in new car sales in Japan is slowing, and DRI forecasts a marginal

fourth successive annual In North America, new car sales and production are rising strongly this year, but DRI says that the "economy and

This will be a great year in the light vehicle market (in

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NEWS ANALYSIS

**INTERVIEWS** 

A NEW NEWSLETTER FROM

European suppliers are building a global presence, says Kevin Done

### Fortunes begin to improve

Unlike some of US vehicle makers, 🔛 🖺 🚃

Despite the challenge of

aggressively to build a global

presence and are expanding

into new markets in particular

No the thest time is the

post-war period iii Bosch

group of Germany, the largest

European components pro-

ducer, suffered a substantial

operating loss of more than

DM500m last year, Under

intense pressure from a 23 per

cent fall in German vehicle

production, its turnover also

declined for the first time

Bosch has accepted that its

costs, along with those of

much of German industry

have been too high. "Becaus

of giobal competition we can no longer cover our costs in some products," says Hermann

Scholl, Bosch chief executive.

The situation is being exacer

hated by the strong pressure,

particular The the

makers, 🖿 🚾 prices sig-

Impres weaknesses,

which will been covered up by

the in more activity

triggered in firm unifica-

nificantly way year.

since 1967.

in Asia and eastern Europa

Il handal total light production rising only to by 1999 with virtually all lim production growth com dealing with widespread losses the front-rank European autoing is the mets retire then are also having to move This is expected in M con

thruing strong growth in and production in the Asia/Pacific region (excluding He my sales in this region

have already grown signifi-cantly from 1 in 1989 to The last year and with are firmed to jump again to date Saint is Chick while more

double, according in forecasts, the sayou had yet 1.1m in 1999, will new mu during the man period in 1.45m in 1999 (man #21/00) land

Thailand, Malaysia and India are also expected to be strong growth markets.

The growth in the car pro-China is hared to impressive illi output nearly quadrupling from 241,000 has year to make by the legale

Ligh illerate car maken are alls urgently adding new capacity Is make good their Direct to beautinto the best mak of the world's man mak-

The IIII report suggests und new car production in limits could jump from 1.5m last year or make by make

DRI In Car Industry Forecast Report. Price £3,100. DRI/McGraw-Hill, 1 Hartfield Road London 3RU.

I The New Car Market W Europe - 1994 William Prille £385. Economist Intelligence Unit, 15 Regent Tref.

-neoccion les latt lithere	المراهن كالرباء المراكب							
print on the lace European	Sales of automotive	(m un		western	Euro			
tomotive components sup- iers, although companies lieve that the industry's for-		Actual 1992	Satimate 1993	Forecast 1995	Forec			
have peam in juniore	Sattenes	44.5	43.4	45.8	4			
is the pegant at tubiose	broke in seco	315.0	307.0	337.0	36			
	Clutches	31.6	30.1	31.0	3			
Some Walk	Echausts	73.7	73.4	77.3	6			
France 17 France UK	Fall Billion	77,1	72,7	100				
improved profitability in	Filter til 4 mil	199.6	200.4	211.2				
e pent inin years, but iliw	Gaskets	33.7	31.2	26.7	2			
ve been spared the painful	Lighting	30.4	26.8	25.3	2 2 5 50			
sk of drastic restructuring to	Street Street, and a second	69.6		66.2	5			
t costs and improve competi-	Spulling prop	577.8	554,7	527.7	50			
					0.00			

tion, have been exposed by the recession, says Mr Scholl, and "drastic cuts" have had to be made to turn the company round. The Bosch group elimi-13,200 jobs last year to rulited its weeklighted 136,600, and Mr Scholl expects the workforce to be reduced

1 Dignit acusment and alterpreted combined

again to 152,500 by 1995. Magneti Marelli, the leading Italian automotive componeats producer and a majority Italy, and loss-making for four years but plunged to its deepest loss of the period last year of L211bn (\$132m) from 2 loss (before minority interests

of L53.3bn a year earlier. Michalin of France, the of tyres, was M by a red had of PETATION (Million) and year umer the impact of depress European - and IIcests of manifeliated real man uring programme. Sales fell by 5.3 per cent to FFr63.29bn. Michelin is seeking to make

savings of FFr3.5bn in its operations by 1995 through a kage of job cuts and proindustry Pirelli, Ille Ital-

ian tyre all alle group. managed III reduce III net limin list war to L96bn compared with a of Live in 1992. Pirelli three pres of net and must than the of painful restructuring. in the two years 1991 that 1991 Pirelli 🗺 had to 🖦 aside L550bn to pay for rationalisa-tion, including 10,000 redun-

dancies and the shedding of one of its three divisions. Continental, the German tyre maker, avoided red ink last year but its pre-tax profit was more than halved to DM74m (\$43.5m) in 🔚 🖚 a result of the Breifin in this world industry. is responding in the continuing Marieum pressure an prices by reducing In a man

A firsther 2,000 Julia and halou

mainly for

reference of 4,900 is little In the UK HILL mallered a pre-tax in d Client in is cutting 2,000 jobs as part of a rationalisation programme. It was burdened by restructuring CAMBO OF BUILDING MAN THE cuts are being made in the automotive components division. operating profits fell by 43 per last year.

By contrast Valco, the lead-ing French compo-nents group, which specialises in areas such as lighting, clutches, air conditioning, heaters, radiators and electrical systems, managed M achieve marginal increases in operating and net income with the latter to FFr705m from FFY700m a year earlier.

Valeo's group turnover also declined 1 2 per cent to FFr20.2bn | the background of deep remain in Europe and recovery North and South America.

icy of globalisation, it manial blues in Europe, and been successful in significantly reducing its debt financial with 📲 falling to FFri.16bn 📑 the end of 1993, from FFr2.15bn a war earlier.

T&N, one III the leading UK gutomotive components m, which specialism in bearmaterials, and engine numbers b such as increased its pre-tax profits last by 12 per cent in 270m helped by cost-cutting and winning increased market

Prospects are improving significantly for Europe's makers this your, as the from recession becomes more firmly which

Mr maintains Bosch will return to operating profit this year, and Michelin says that it is also well post-

Kevin Done discusses a report prepared for the European Commission

### Call for drastic restructure

1 automotive components industry is " link in the European industry's competitiveness today according to a controversial report prepared in the Euro-

The study that the industry melt minusure in 1990s to an "alarming" competitive gap with Japan and warns more than 400,000 jobs are likely to end of the decade.

The report, which was pro duced by the Boston Consulting Group*, claims that "unless drastic action is taken soon, the competitive gap in components risks widening even further".

The European Commission has contested the report's drastic conclusions about prospec tive job losses, but accepts that the "restructuring needs in the supply sector are particularly important".

In its paper earlier this year to the European Council of Ministers and the the European Parliament on the Buropean auto industry, the Commission says that, "the international pressure on car manufacturers is being transferred to the EU component manufacturers, triggering sub-stantial structural change". According to the Boston Con-

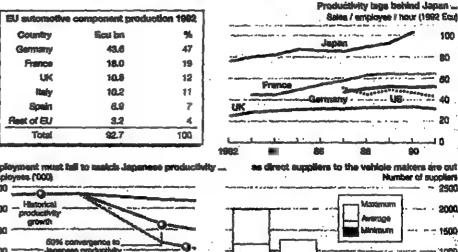
sulting Group report the EU components industry, which employed about 940,000 in 1992, and had an annual output worth Ecu92.7bn (£72bn), "will in the future". It claims productivity of Japanese rehicle makers is around 30 per cent higher less that of European rivals, Mil in the components sector productiv-

ity in 2.5 U greater.
Employment in the industry is likely to fall to around 500,000 by 1999 from just under 1m. More job losses will follow those already announced in the past two years with several eading European vehicle makers demanding cost and price reductions of more than 10 per cent a year from suppliers.

If productivity continues to

grow by 4 per cent a year as in recent years, employment in the industry would be reduced by 11 per cent by the end of the decade. "However, we level w productivity growth would the industry hopelessly unviable at the end of period in danger of col-lapse," maintains the Boston Consulting Group.

"If the European components industry were to reach, in 1999, the level of productivity of the Japanese industry in 1992, then employment would be reduced by 54 per cent, implying a 14 per cent per annum improvement." Even such a drastic cut in jobs, however, would not guarantee the EC reaching parity with the Japanese industry. which has lifted productivity by 5-6 per cent a year in the last decade. The report says the productivity gap must be at least halved as "the absolute The European automotive components industry



minimum recently in the

industry in be in a position to SULTVIVE 1999". the Eurocomponents industry "is likely to change radically" to similar to Japan. In present fragbe fresed in recrusions and concentrate. While makers expected to must the suppliers by around 1988 1997.

A section of marile suppliers in Europe in principal in Europe in probable, in the W Im man key subsystems." The number of pure panies operating and or suppliers and fall by third, warns | la study.

The greatest challenge improve productivity in the industry the the tier suppliers, which are introduced in the suppliers. and industrial Carpanies. "where was the M improve competitivehillshoul car indent him aiready taken was a minute

and of their first supplien aud amost 120 og ser in 1988 to present umber expected to drop in around an by in. upheaval under critically in the German motor industry among

both without mathem and their components suppliers L tral to the restructuring if the entire Eugene industry. Germany U. ... of the production independent components industry (excluding production by the themselves), for 53 per and of the sector's alem mine mid per tel if employment.

of production, La UK Le 12 cent, Italy 11 11 Spain for 7 per ----Concentration ownership in one of the main street and

accounts for 19 per land

changes facing the sector. The process is being driven, says the report, by "the lack of competitiveness of many suppliers in an extremely fragmented industry," and by changes in vehicle policies

More outsourcing and the transfer of design and development to the supplier industry; The sourcing of components to single rather than multiple

The purchasing of systems rather than individual compopents; and The formation of strategic buying alliances.

As the industry restructures, it will be transformed. There will be fewer but larger suppliers. They will have a European

Devonshire House,

presence assembling systems in factories near the car plants, and sub-contracting non-core supply contracts for the life-time of vehicles and will share R & D with the vehicle makers. From a structure based on confrontation between the

also have to move "towards one based on partnership where profit is shared among the different players in the value chain". * The Evolving Competitive Challenge for the European Automotive Components indus-try. Boston Consulting Group.

vehicle makers and their sup-pliers, the motor industry will

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the conflicting pressures of fuel oconomy, weight roduction, recyclobility, machinobility, acsilictics, passenger safety and overall cost and productive through optimizan material selection?

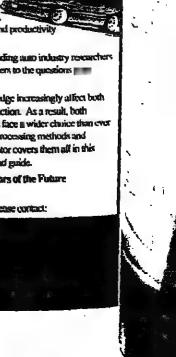
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FINANCIAL TIMES



Profile: ROBERT BOSCH

the Automobiles/Auto Trucks and Parts category, headed only by its compatriot BMW. Perhaps this recognition for excellence among its competitors provides some consolation for recent trading conditions which, by any standards, have been exceedingly tough. They could hardly have been otherwise in the context of sharp

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F. Strategy

production. In the company's all-important German market, for example, car production fell by 23 per cent in 1993 and commercial vehicle output by 28 per

declines in European vehicle

Latest financial results high-light the damage caused, with total group turnover in 1993 falling by 5.7 per cent to DM32.5bn. Net income was down for the fourth consecutive year and, at DM426m, showed a decline of 16.8 per cent compared with the previous year and stood at its lowest level since 1985. Capping the gloom, the com-

A mark of respect for German supplier panies. It was second overall in pany incurred an operating mance, comfort and fuel effi-loss for the year, although the ciency. With regard to safety, figure has not been revealed. Although Bosch manufactures a wide range of consumer and industrial products, automotive equipment is easily the

> This makes the company the world's largest independent supplier of automotive components and systems, and Bosch technology can be found on the products of every leading

accounting for 49.7 per cent

vehicle producer. There are nine main automotive divisions producing a wide range of components and systems. Many fall into the cat-egory of traditional items such as starters, alternators, sparking plugs, head lamps and windscreen washers. But Bosch has also established a reputation for producing technically advanced products for vehicle safety, security, perfor-

ciency. With regard to safety, the company was the first to produce ABS (anti-lock braking systems), traction control and triggering devices for occupant restraint systems for the motor largest business sector,

On the security front, Bosch (DM16.2bn) of group sales in is supplying factory-fitted electronic immobilisers to prevent unauthorised starting - a feature which is expected to become standard equipment on cars in the near future.

Meanwhile, the unique Blaupunkt "KeyCard" solution to car theft from Bosch's audio division has produced impres-sive results. KeyCard-equipped radios account for 5 per cent of the German market, but for just 0.4 per cent of the units stolen. Improvements to vehicle

economy and performance are achieved through diesel and

rised ignition, engine manage-ment systems and electronic

supply base there has been a

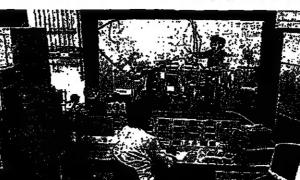
drastic reduction in the total number of suppliers. The soon-

to-be-replaced US-built Ford

Tempo/Mercury Topaz range

gearbox controls. forefront of developing systems remainder, the Americas to promote cleaner emissions. Although the company has

made in Germany and around The company is also in the 85 per cent in Europe. Of the account for 12 per cent, which means that exposure to the an extensive international last developing south-east Asia



Bosch research centre; in 1993, more than OM2.2bn was spent on R&D

ited.

presence with subsidiaries, affiliates or agencies in 125 countries and more than 70 foreign-based production facili-

ties. 51 per cent of sales are

alternators are manufactured. The plant was opened in 1991 Bosch's largest single foreign investment

Cumulative output recently passed the 5m level. As well as supplying UK vehicle assembly operations there is a sizable export trade to continental Europe, America and Japan sufficient to propel Bosch into the Top 100 list of UK export-There is a high priority on

research and development. Of the group's 156,000 employees worldwide, about 12,000 are scientists, engineers and techni-cians involved in improving the functionality and reliability of existing products and developing new ones. In 1993, Bosch allocated more

than DM2.2bn to R&D, the same level as in the previous year and equal to 6.8 per cent of sales. In the face of falling

near Cardiff, where compact maintained its R&D momentum. Several examples indicate the type of products which and at the time represented Bosch will supply for tomor-

> row's vehicles. In headlights, the company has developed a system which uses cherry stone-sized gas discharge lamps to produce twice the amount of light of conventional units together with improved range and width of illumination.

An electrical fuel pump has been developed which is 45 per cent lighter and 30 per cent smaller than previous designs. And an electronic wiper system is under development which will eliminate the need for the driver to operate windscreen wipers manually.

Early in 1994, Bosch announced details of its latest ABS which contains both the hydraulic and electronic components in a single assembly. As well as being more compact and weighing less - crucial characteristics as vehicle makturnover, therefore, Bosch has

ers attempt to make their products more fuel efficient - the new system also offers significant cost savings and will hasten the day when ABS is a standard fixture.

The company differs from global competitors insofar as about 92 per cent of its equity is owned by the Robert Bosch Foundation, which is charged with ensuring that the company's assets are administered for public benefit purposes. This means that the dividends received are donated to chari-

table causes. While this status does not mean, of course, that there is no pressure to secure satisfactory financial returns, the company undoubtedly enjoys the luxury of not having to satisfy an outside group of hungry investors on a quarterly or half yearly basis, as is the case with the principal American and

British component groups.

This has provided the neces. sary conditions to focus on long-term targets - notably in R & D - an especially valuable characteristic during the recent downturn. Perhaps this freedom is Bosch's greatest asset.

Kevin Done discusses Ford's drive to reform relations with suppliers

## Global purchasing takes off

US, the world's second largest vehicle maker, to merge its North American and European automotive operations into a single operating unit, Ford Automotive Operations, will give fresh impetus to its drive to reform relations with its

components suppliers.

Ford has embarked on the most drastic restructuring of its organisation in its 91-year history in a radical attempt to break down the traditional national and regional barriers inside the group in order to regain a competitive edge over

From January 1 next year it is setting up five so-called vehicle centres, one in Europe and four in the US. Each centre will have worldwide responsibility for the design, development and engineering of particular vehicle ranges in the case of Europe for small and medium-sized cars.

This radical shake-up of the Ford organisation will have a crucial impact on the purchasing of components and systems from outside suppliers, which typically in the world auto industry account for more than at Cuautitian, Mexico. half of a car's ex-factory value. Ford maintains that the

nants supply activity will pro-vide "economies of scale, world-class supplier productiv-ity and cost levels, improved quality, faster time to market, better product innovation and enhanced supplier design involvement and support". It will also mean that it will be able to choose the best prod-ucts to be offered worldwide in any particular category. Under the new structure purchasing will be one of the functions subordinated to each vehicle centre, and it will operate glob-

Crucially it has been the CDW-27 project, Ford's first successful so-called world car programme, that has broken

much new ground in preparing develop an integrated, global the way for the global reorganisation, and which in the process has brought Ford for the first time fully into the era of global purchasing of components and systems.

The \$6bn project spawned first the Ford Mondeo large family car in Europe in spring last year, while its sister cars, the Ford Contour and the Mercury Mystique, will go on sale in Ford's showrooms across North America in the autumn. Assembly will take place at for purchasing for Ford's Ford plants at Genk, Belgium, North American automotive

has more than 700 suppliers all in North America whereas the successor Ford Contour/Mercury Mystique models will have only 227 suppliers, drawn from around the

According to Kerry Caliman, the CDW-27 project manager



Ford's Mondact a product of the successful \$55n world car programme

in menu cases to supply the European and the US and Mexican assembly plants.

Albert Caspers, the new chairman of Ford of Europe, says that the share taken by north American suppliers of the European-built Mondeo has jumped to 15 per cent from only 1 per cent to 2 per cent in Ford of Europe's traditional programmes. "We have also brought many European sup-pliers to North America and some have made joint ventures in the US," he says. "The philosophy was to develop a part only once from one supplier for the world. This is the first project where we have done this."

As a result of the effort to

at Kansas City in the US and operations, "the more business you can source globally, using After a global search, com- the same supplier for the same mon component producers part for both North America nd Entrope the more vi benefit from economies of scale and focused quality control efforts." Ford is planning sales volumes for the CDW-27 product range of around 300,000 a year in North America, 400,000

a year in Europe and a total of around 800,000 a year world-Mr Caliman says that another cost advantage lies in placing long-term contracts with suppliers and in single sourcing. "That gives us the opportunity for quality advantages and productivity cost tions from these suppliers - and that has bottom-line

Around 65 per cent of the total CDW-27 vehicle costs are covered by parts that are

 Single-sourced from one supplier shipping from one location in the world to all three assembly plants;

Single-sourced from a single company, but the company has manufacturing or shipping locations in both North America and Europe; or are

Dual-sourced, so that

Europe and North America each has its supplier, but the part can be common and there are two sets of tools.

As part of the reforms Eck-hard Jokisch, vice-president of supply at Ford of Europe, says that Ford "must sweep away the old adversarial relationships between supplier and manufacturer replacing them with one based on trust and equal partnership." He claims that Ford "is now working with rather than against sup-pliers," which have proved "a very useful weapon in our fight against unnecessary

During the past 18 months Ford of Europe and its suppliers have set up more than 200 teams, made up equally of Ford and supplier personnel, aimed at cutting costs and waste at Ford itself and at the

The teams select components for analysis and are empowered to take cost reduction actions bypassing Ford's "traditionally slow systems," says Mr Jokisch. The teams analyse the complete supply chain from design and development through testing and manufacture right up to assembly into the finished vehicle.

"We believe that if we apply this analysis to all commodi ties, we can cut material costs by 25 per cent," says Mr Jokisch. The cost savings can be achieved not by cutting supplier profit margins, he insists, but "by eliminating the waste that exists in the supply

#### Profile: LUCAS INDUSTRIES

### Re-emerging market force

Within the next few weeks Lucas Industries, the automotive components and aerospace group which with nearly 40,000 employees world-wide is one of the UK's largest com-

motor industry is as yet lim-

One of the most successful

foreign ventures is the UK

manufacturing facility, located

panies, will start coming out of its self-imposed purdah. George Simpson, former chairman of the Rover vehicles group, took over as Lucas's chief executive in April. He is already putting the final touches to a management restructuring and by autumn will have undertaken a complete review of Lucas's

activities and strategies. It will largely determine Lucas's prospects of remaining a substantial long-term partic-ipant in a world motor components sector becoming ever more viciously competitive. It is also one in which many western manufacturers have shown considerable capacity for self-delusion in terms of their productivity and quality achievements compared with

rivals from Japan.
As John Nelll, chief executive of the Unipert components group, pointed out at last month's launch of Cardiff Business School's "lean" enterprise research centre, the UK government's recent white on ITE to petitiveness highlighted an average performance deficiency compared even with

What was particularly worrying, said Mr Neill, was that only 2 per cent of UK companies were found to be world class - but 73 per cent thought

Relatively few in the UK motor industry have been bet-ter placed than Mr Simpson to see a "world class" Japanese company in action, as a result of his long involvement with the 14-year partnership Mr Simpson is widely cred-

between Rover and Honda. ited with the transform of Rover from a minor lame minor producer, but one with enough restored prestige for RMW to have been willing to pay £800m plus debt assump-

tions for it. So, much as Lucas has improved its own motor components productivity and quality over recent years, it is only to be expected that institu-tional and other backers are looking to Mr Simpson to give substantial new impetus to

Mr Simpson's own appointment at Lucas marks a sharp try boom of the 1980s. break with the

nearly a decade Sir Anthony goes in November, Mr Simpson

ing with a non- George Simpson took over as executive in April chairman, Sir

Midland Bank, on the world components scene. It supplies virtually every principal vehicle maker throughout the world with a wide variety of key components and systems.

It is a leading source of engine management and injector systems for petrol and diesel engines. It is one of the world's biggest manufacturers of braking systems. It produces many electrical and electronic systems, ranging from wiring harnesses to electronic

ontrol units (ECUs). The automotive activities. including supplies to the eftermarket, are the group's most important, accounting for more than 60 per cent of total

Of course, it's better for

business if you don't have to

sales. There is no lack of apparent confidence at the company, even if it is not yet Mr Simpson who is expressing

Rarlier this year senior managers were declaring the view that higher productivity and rationalisation benefits, coupled with substantial cost-cut-ting under a restructuring programme begun in 1992, are opening the way towards sustainable 10 per cent margins higher even than at the peak of the eight-year motor indus-

It is a confi-

dence yet to be

reflected in

Lucas's overall

profitability.

Lucas Indus-

tries made a

pre-tax profit

of only £20.1m

£1.19bn in the

first half of its

financial year

past. For

decade Sir
Anthony Gill
had combined
the posts of
chairman and
chief executive.
When Sir
Anthony soes will be work-

January. Within this total, however. Brian Pearse, who recently the automotive business's retired as chief executive of operating profit increased from £13m to £27m on sales of By any measure, Lucas is £830m and Sir Anthony insists me of the leading communies that this will continue to rise

sharply when firm recovery sets into continental Europe's vehicle markets. Restructuring and cost-cutting activities have been substantial. More than 275m has

been raised from divesting non-core businesses and further disposals are in prospect Some £60m costs were reduced last year, with 4,860 jobs lost. At the same time, Lucas has not been reluctant to make investments in areas which it lieves will provide substantial long-term growth opportunities, particularly Asia and Eastern Europe.

A venture to manufacture brakes in China is in prospec for example, while in the

Czech Republic it has formed a joint venture with Autobrzdy to supply Volkswagen-controlled car maker Skoda with

rear axle assemblies. Lucas is also active in India, which is starting to attract serious attention from the world's car and components Indian government's industrial liberalisation plans.

It has a long-standing venture with TVS, one of India's 20 biggest industrial conglomerates, originally to produce generators for Hindustan Motors' Ambassador cars but now also embracing production for Maruti Suzuki-based

small cars. Nor has the UK and elsewhere in western Europe been

neglected. Some 650 jobs are to be created over the next 18 months in England's Tyne and Wear region by Lucas SEI Wiring Systems, a joint venture with Sumitomo Electric Industries of Japan, which is constructing a plant to make wiring harnesses for Honda, Rover, Toyota and Jaguar, Production is expected to start early next year after an investment of

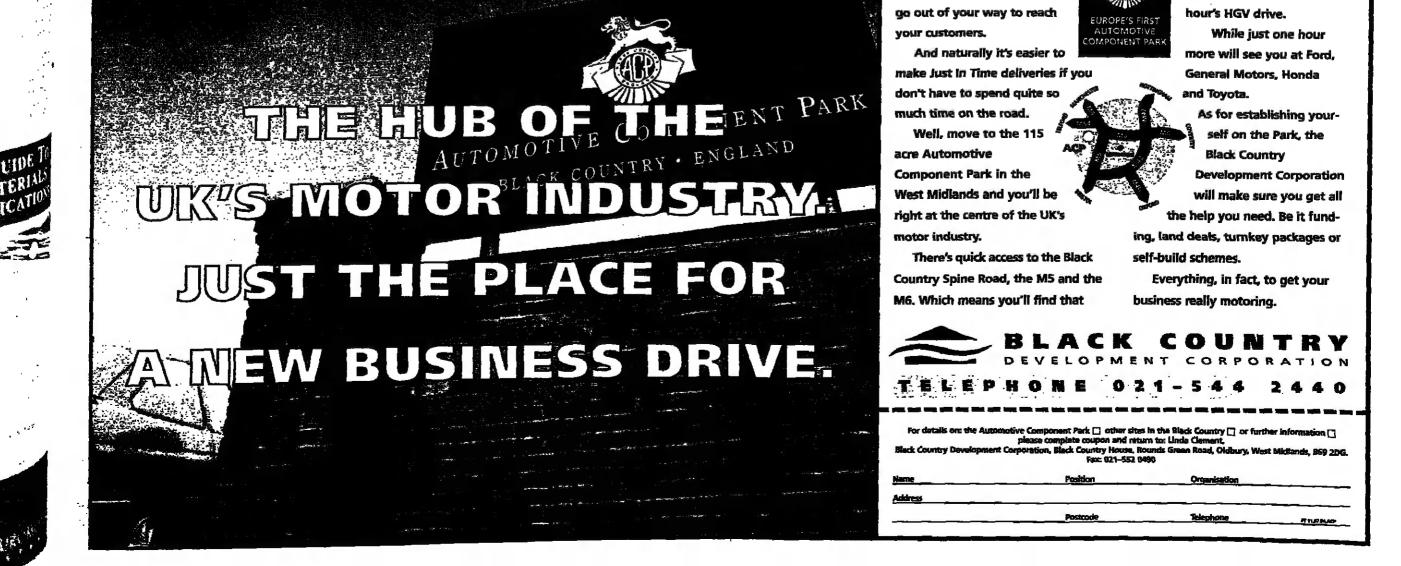
At Bouzonville in northern invested in completely overhauling the plant and pro cesses for brake caliner manufacture, creating an integrated manufacturing system claimed to be "world class" measured by Lucas's benchmarking pro-

Earlier investments in North America and in the rapidlygrowing diesel vehicle sector have also begun to pay off. Some £150m spent on expanding capacity to produce diesel injectors and management systems for tracks as well as cars has allowed Lucas to increase its European market share in the sector.

Rover, Jaguar, Peugeot and

Rolls Royce are all within an

John Griffiths



#### WORLD AUTOMOTIVE COMPONENTS 4

ith the uncompromising courtesy that one might expect from a Japanese business executive the head of international purchasing at Toyota came very close to reading the riot act to the company's US suppliers a few weeks

The official, Koichiro Noguchi, warned representatives of 124 component makers that Toyota had no plans to extend a commitment to increase purchases of US-made parts beyond 1996, when the voluntary reement expires. The main problem, he said, was the sub-standard quality of their products. Despite intense political pressures, "further growth in our US purchasing will depend on further gains by American suppliers in raising quality", Mr Noguchi warned.

To a casual observer, such criticism would suggest that little has changed in the US component industry over the past five years. During a period when many sectors have made great strides in improving their international competitiveness, it would appear that the parts business stood still or even regressed

Poppycock, say analysts. In fact, the industry is in the throes of a radical transformation which has already paid off in handsome productivity gains, drastic price reductions and more reliable products across the board. The misleading impression given by Toyota only underlines the The parts business in the US is undergoing a transformation, says Frank McGurty

### **Bond with America's Big Three tightens**

arm's length relationship it maintains ing, moved to shake up GM's supply network with the DS suppliers, analysts argue.

ing, moved to shake up GM's supply network given in the DS suppliers, analysts argue.

contracting with just one or two companies for any one part or system, such as with the US suppliers, analysts argue.
"If the Japanese car maker let the parts

supplier be a full partner," says Scott Mer-lis, an analyst at Morgan Stanley in New York, "the quality would be fully built into the design. Any subsequent manufacturing problem could be quickly debugged with the help of the car maker."

Mr Merlis's observation cuts to the heart of the forces shaping the component industry. Analysts say a much tighter bond has developed between the Big Three US car makers and those suppliers that have sur-vived a painful consolidation. In fact, the closer relationship between the two sides is the defining feature of the industry's evolution in the 1990s.

As the decade began, Ford and Chrysler were determined to streamline their supply systems and slash the cost of components. The drive was part of a strategy to recapture market share from the Japanese General Motors got off to a late start in 1992, when José Ignacio Lopez de Arriortua, then head of worldwide parts purchasheavy-handed - tactics

The most apparent result of these efforts is a drastic shrinkage of the supplier base. Over the past five years, the number of parts makers under contract has dropped by about a third to 2,000. By 2000, 20 per cent fewer suppliers are expected to be under contract with the Big Three.

The main beneficiaries have been big. ublicly-traded companies such as Eaton, Magna International and Hayes Wheels. In a highly fragmented business still dominated by small, privately held manufacturers, those well-capitalised suppliers with full research and development capebilities are expected to command 75 per cent of sales by 2,000, up from 50 per cent now. "In most component areas, the industry is going to wind up with two or three hig players, rather than 15," says James Alexandre, the Donaldson Lufkin & Jenrette analyst.

The reason is simple. The Big Three have decided to use fewer suppliers, often

nies for any one part or system, such as suspensions or whools With more orders going to a handful of manufacturers, the lucky Iew have been able to achieve greater efficiencies and meet Detroit's mands for price reductions.

Productivity gains have ranged from 2 to 6 per cent a year, while prices paid by the Big Three are falling 3 to 5 per cent. Detroit has rewarded suppliers which are able to deliver the goods cheaply with longer-term contracts. Five-year deals are now common in an industry which once worked on a year-to-year basis.

he extended time frame has encouraged suppliers to take more risks in investing in new technology, which in turn has triggered a second shift towards more "outsourcing". The Big Three are using fewer parts made in-house because they lack capital to keep up with the latest innovations. To cut costs and improve quality, "the car makers are going to the people who are the experts",

Lear Seating, a Michigan-based company with \$25n in annual sales, highlights the trend. Its business has snowballed, as it became the sole source of Ford's seats. winning big supply deals with Chrysler, GM, BMW and other European producers along the way. In the case of Ford, the car maker in effect spurred consolidation while outsourcing its needs by agreeing last November to sell its own seat-manufacturing operation to Lear for \$170m.

The confluence of these forces should result in robust growth for the so-called Tier I suppliers in the coming years, even if car sales tamper off from their recent acceleration. Kemper Securities expects US vehicle sales to jump 9 per cent this year and a solid 5 per cent in 1995. However, revenues and earnings for the principal component makers are expected to outstrip those levels.

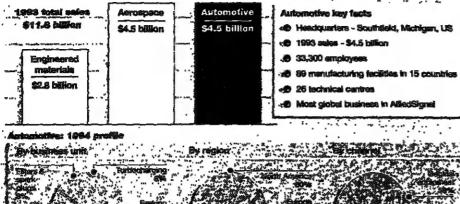
Mr Merlis forecasts Lear's top-line growth at 40 per cent. For Eaton, a big. diversified group specialising in vehicle power-trains, a 25 per cent jump in 1994 revenues to \$5.5bn is projected by the Value Line investment survey, following a 12 per cent advance the previous year.

Meanwhile, Kemper Securities picks Automotive Industries, Dana, Simpson and Superior industries as this year's high-fly-ers. Those companies are expected to realise strong gains in market share by acquiring rivals and winning more contracts.

By turning more frequently to such companies, the Big Three have in effect allowed themselves to grow more decendent on their suppliers. The component makers are increasingly called on to deliver whole systems ready to be snapped into the car during assembly, which helps lower costs. The requirement, however, has forced the supplier to assume a role in the design process, rather than just bid-ding on a blueprint. Later, it must take a more active role in the assembly process, rather than simply delivering consignments to the factory gate.

Improved quality is a by-product of this alliance, as parts can be more accurately designed on a product-specific basis with manufacturing requirements in mind," writes Kemper in a recent investment advisory. That is not to say that US suppliers have achieved parity with their Japa-nese counterparts, though there are exceptions. Magna International, Canada's biggest parts company, is singled out by analysts as a producer of first-rate parts.

AlliedSignal businesses



■ Profile: ALLIEDSIGNAL

### Technological brakethrough

AlliedSignal. engineering group, has established a leading position in three key areas of the automotive components industry braking, safety systems and engine components.

It's automotive components operations had a turnover of \$4.5bn last year and accounted for around 38 per group turnover of \$11.8bn. With 33,000 employees the automotive division accounts for a similar share of the total group workforce of 86,000.

AlliedSignal claims to be the world's largest independent producer of car and truck brakes under the brand names of Bendix and Jurid, and the group is achieving rapid growth from a modest base in anti-lock braking systems (ABS) for cars and trucks. It has won contracts to supply the ABS systems, for example, on important new products such as the Ford Mondeo large family car and the Chrysler Neon small car.

Its market share in ABS systems in Europe and the US remains less than 10 per cent, but the group claims that it is developing more advanced technology, which should strengthen its competitive position by 1996.

Under the Garret brand name it is the world's largest producer of turbo chargers and is expanding this business in particular in Europe with the

Its biggest growth business is the production of safety restraint systems, where the group is an important symplier of seat helts and driver and passenger side airbees.

The share of the group's main markets in its overail automotive turnover has changed significantly during the past two years as a result of the rapid growth in the North American market and the decline in European car and truck sales.

Sales in North America accounted for 60 per cent of automotive turnover last year compared with 34 per cent in Europe and 6 per cent in the rest of the world, while a year earlier Europe accounted for 49

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increase sales of an existing product

per cent compared with 45 per cent in North America.

Its top 10 automotive customers include the big three US vehicle makers, the four Euro-pean-owned volume car makers, as well as Navistar, the US truck maker, Nissan, the Japanese car maker and Mercedes-Benz, the German car and combiggest gains have come from new contracts won from Chrys-Ier, however, to which its sales jumped by 34 per cent last year due to growing orders for ABS braking and safety restraints

While AlliedSignal's total automotive turnover was virtually unchanged last year, it increased its net profits by 30 per cent to \$184m from \$142m a year earlier and \$54m in 1991 (excluding special charges) as a result of improved productivity and a reduction in mate-

To improve its operating efficiencies the group began two years ago to rationalise the number of its locations worldwide and by the end of 1993 it had closed 20 operating plants. in 1992 alone it reduced the automotive workforce by 7 per

cent including a 50 per cent reduction in Brazil, where it has suffered continuing losses. At the same time the group is expanding its presence worldwide, however, through a combination of acquisitions and alliances. It has entered into a worldwide truck brake joint venture with Knorr-Bremse of Germany. The combined operation has annual sales of \$650m and a workforce of 4,600. AlthedSignal owns 65 per cent and has managen control of the North American operations including Mexico, while the German group owns 65 per cent and has taken man-

venture operations in Europe and South America. In other moves AlliedSignal has formed an airbag joint ven-ture in Europe, initially to sup-ply Opel and Fiat with a new form of hybrid airbag inflator, it has acquired an aftermarket distribution network in Mexico, has opened a seatbelt plant in Spain and has estab-lished an airbag marketing and engineering staff in Japan. Ear-

agement control of the joint

seat belt business of Gilardini, the Italian components group. The group is also restructuring to meet the growing demand from auto makers to provide complete systems rather than simply components. "This is a trend that has been talked about for years, but which is only now really taking shape," says Ralph Reins, president of AlliedSig-

lier this year it acquired the

nal Automotive "In the past we saw our role as merely the component supplier, with the customer responsible for how things fit together. Now we are responsible for the total system."

hat political pressure has so far failed to achieve, in reducing Japan's annual \$10bm surplus in auto parts trade with the US, may yet be resolved by market pres

Confronted by the twin problems of a relentlessly high yen and the consequent drop in domestic production of more than 2m vehicles since 1991. reported a decline in profits of around 25 per cent a year. The profit/sales ratio for the country's 20,000 suppliers slipped to 0.6 per cent for 1993/4 and a significant rationalisation of the sector is forecast over the next five to 10 years with an increasing number of mergers. acquisitions and alliances.

A wave of cost-reduction programmes by suppliers began in 1993. Their effects will be seen on new models produced from 1997 when the supply sector anticipates the beginnings of a recovery for the country's components pro-ducers. Parts sharing is on the rise by the vehicle manufacturers, breaking down the old keiretsu system of exclusive supplier networks. Product life cycles are being extended and the number of model variants is being reduced, all of which will assist economies of scale

by component suppliers. Despite US pressures, how-ever, imported components accounted for only 3 per cent of completed vehicles in Japan in 1993. The latest round of June trade negotiations in formal breakthrough in the US campaign to raise this imported percentage.
The industry, however, is

already moving towards an informal resolution by stepping up its plans for overseas procurement. In an interview with The Economist Intelligence Unit last month, the chairman of the Japan Auto Part Industries Association (JAPIA) declared that "regardless of the outcome of the talks between the two governments, Japanese auto parts companies

Tide begins to turn

Ian Robertson looks at Japanese trade with the US

their production capacity to the US, and increasingly vehicle manufacturers are seeking to source more of their components from the US.

As for Japanese auto transplants in the US, in the inture they will buy almost all their components from North American suppliers rather than importing them from Japan." The driver is the need to cut costs and remain competitive - with the added threat of lowcost emergent producers in the neighbouring Pacific Rim. Already this has triggered some US/Japanese agreements to co-operate in their approaches to third countries, such as China.

verall. Japan is committed to the purchase of \$19bn of US auto parts by fiscal 1994 (ending March 1995). The Clinton administration, taking a "results-oriented" approach, wants Japan to guarantee numerical targets comprising \$1.5bn for US purchases and 24hn for imports - as was agreed during President Bush's January 1992 visit to Tokyo. It also wants a more detailed breakdown of planned purchases charging that, last nents sold in Japan were tyres, many of these sourced from the US subsidiaries of Japan's largest tyre producers, Bridgestone, Spmitomo Rubber and

Yokohama Rubber. Japan, however, insists the agreement related to enhanced opportunities to sell US parts, with no guarantees on net sales levels. Moreover, with the interim slump in vehicle output, the \$4bn import target is considered, by the industry, to be out of reach. Although the US trade deficit in auto

are going to transfer more of parts has climbed from \$1bn in accessing Japan's \$140bn auto 1981 to more than \$10bn, it is argued that in yen terms, the Among the transplants in increase was less than half the North America, the US content

> there has actually been a With the dollar holding at near record highs, US components producers are stepping up their efforts. GM's Antomo tive Components Group (ACG) Asta is to increase its staff of engineers by 30 per cent to 130 before the end of the year. It plans to raise fiscal 1994 sales in Japan to Y13 billion - an

dollar amount and since 1990

America produces all its engines in-house, one of the asous for the high local content rate. (Chrysler Corporation, which imports Mitsubish V6 engines for several models including the Dodge Acclaim, is believed to have a domestic content of about 70 per cent).

of Accords built by Honda of

America Manufacturing now

stands at 82 per cent; Honda of

Companies participating in



Honda Accord Aerodeck; US content is now 82 per cent

increase of 20 per cent over fiscal 1993. The increase in the number of engineers will allow ACG to work together with Japanese auto makers

from the design stage. TRW sold an estimated \$700m of components to the Japanese last year - up from target of \$1.5bn by 1997. Ford opened a \$4.5m technical centre in East Hiroshima last October and hopes to double its sales in Japan in three years' time.

Other companies in the process of upgrading their Japanese operations include Rockwell International, Garrett Turbo, Intel and Motorola. Compared with fewer than 10 a decade ago, there are now an estimated 80 US component manufacturers with represen tation in Japan aimed at Honda of America's continuous improvement programme have seen an average 48 per cent jump in productivity, Toyota also claims that, through quality control systems introduced at its US suppliers, defect rates have been lowered to a negligible per cent for the same suppliers in their dealings with the US Big Three. Sales to the US transplants are viewed as the

the factories in Japan. The Japan Automobile Manufacturing Association (JAMA) insists that the pur-chase of US auto parts is increasing. Over the past five years the number of contracts has more than doubled and the number of suppliers tripled. Nissan claims that the \$3bn

of local parts it procured in

first step in selling directly to

the US last year already exceeded its voluntary plan of \$2.9bn for 1994. It plans to US-made parts by 75 per cent to \$3.4bp in fiscal 1997 and to increase parts imports by 7 per cent to \$1.7bn in fiscal 1988. up from an estimated \$980m.

Toyota reports that it raised its purchases of US-made car parts by 5 per cent last year to \$4.7bn or more than four times the \$1.1bn it spent five years ago. Toyota expects to lift its procurement of US-made car parts to \$5.3bm in the year to March 1995.

The company holds annual meetings with US component suppliers with the aim of fostering long-term business relations and promoting purchases of North American products. It now imports into Japan parts from 131 North American suppliers and purchases auto parts from 301 suppliers in North America for its transplant operations - up from 70 and 130 firms respectively in 1990 - and its Comry model is to go to 80 per cent local content in 1995.

Mitsubishi Motors, which has also been looking at buying in lower-cost steel from South Korea, is investigating opportunities to source components from US suppliers to its Diamond-Star transplant operation for its Japanese-made cars. Local procurement in the US is expected to rise to between \$1.4bn and \$1.6bn in fiscal 1996 from \$650m in fiscal 1993. Exports of compowill rise from \$260m in fiscal 1993 to \$350-\$440m in fiscal

international co-operation proamme in which it forecasts that by fiscal 1997 its parts imports will rise 55 per cent from the \$870m recorded in fiscal 1993.

As well as encouraging for eign suppliers to participate in its design activities the programme also calls for the provision of support to second-tier suppliers in the US.

#### ■ Profile: AUTOMOTIVE COMPONENTS GROUP

### Parts giant expands

going to yield sales meekly and

says there is "no question that

going head to head with rivals

like Siemens and Bosch would

be difficult". Instead, he says,

"there are still component

areas where they don't have a

presence and there are also big

opportunities in new products

as emissions legislation tight-

ens further, such as exhaust

ACG comprises Delco Chas-

systems), Harrison (thermal

management systems), Pack-

Saginaw (steering

gas recirculation equipment".

announced a restructuring of its too management which, in the process, gave greater autonomy to its components operations, ACG (Automotive Components Group), to seek business with virtually any car or truck maker anywhere in

The intention is that by 2003 more than 50 per cent of ACG's sales will be to customers outside the GM group in North America, compared with only 15 per cent at the start of the 1990s. It will be spanning the world with a matrix of manufacturing plants and joint ven-tures capable of supplying any manufacturer with complex components systems wherever they might choose to set up

ssembly plants. With a \$25.1bn turnover last year, ACG is already at least twice as big as its nearest rivals, as well as having a broader product spread within its six divisions.

And it has already made progress towards its long-term goal. Around 27 per cent of last year's turnover, or nearly \$70n, was earned from customers outside GM's North American Operations (NAO) and the figure is expected to rise to more than 30 per cent by 1996.

It employs 178,000 people world-wide, operates 180 manufacturing plants in 23 countries and has 13 technical centres and proving grounds spread around the world. In 1987, it had 109 plants located within North America and 51 outside. By last year there were only 86 plants in North America, with

The non-NAO business is not wholly non-GM. It includes unquantified sales to Opel, Kevin Done | GM's German cars division, newly created by combining

AC Rochester (engine manage-ment) and Delco Remy (electrialthough Mr J.T. Battenberg 111, its president, maintains that ACG is having to fight for cal energy storage and conversion). Additionally, two other entities, ACG Europe and ACG the business like anyone else. Already ACG is present in Asia Pacific, are charged with finding non-NAO husiness

all 20 of the world's principal ACG was set up in 1968, at a vehicle markets and can sup-ply most systems to any outtime when there were 13 comside company. Among recent contracts is supply of the dash-board module, wiring harness ponents divisions with 300 product lines. As the long 1980s global and other components for the leisure four-wheel-drive vehicle motor industry boom ended, profits - based heavily on

Mercedes is to start producing unrealistic internal GM trans in Alabama in 1998. fer prices - evaporated. Between 1992 and this year Ned McLarg, a GM vice-president and general manager of the newly-formed AC Delco there were a number of strategic initiatives based on a som-Systems division, also stresses bre evaluation of strengths and the substantial business his division has won with Toyota as well as the Japanese car ACG felt that within its core

businesses it had recognised maker's highest quality award. good technology and quality, "Other manufacturers are and in places competitive cost saying to us, sell us what structures and margins as well you've done for Toyota," says as good relations with most Mr McLurg - despite Toyota other large vehicle makers. recently issuing a warning to But there was also an uncomsome of its North American fortable number of uncompetisuppliers that quality needed tive operations with too many further upgrading. high-cost manufacturing sites Mr McLurg readily acknowltoo many product lines and too edges that rivals, in particular great a dependence on "capthose based in Europe, are not

tive" GM business. "We had arrived," recalls Mr Battenberg, "at a strategic crossroads."

Systematic benchmarking against world-class suppliers was introduced and a target 10 per cent average growth rate set for non-NAO business. Product lines were cut to 155 from 300. In 1993, non-NAO sales hit \$6.6bn, representing 27 per cent of total turnover.

The target set at the start of the overhaul of reaching 30 per cent non-GM North America business by 1996 is now certain ard Electric, Inland Fisher Guide and AC Delco Systems,

John Griffiths

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pean Commission's study into the sector. But feeling sympathy for the Europeans is altogether another matter, since the Japanese components industry itself faces commercial, economic, financial and political pressures which pose challenges of epic dimensions.

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The problems start at home where component suppliers are still smarting from the length and depth of the motor industry's recession. Poor domestic demand coupled with simping exports in the context of worldwide recession and the strength of the yen have led to a marked cut in orders.

in 1993, Japanese car production fell by 9 per cent, while commercial vehicle output declined by 13 per cent. More-over, the rot has continued into 1994 with vehicle output falling by around 12 per cent during the first quarter although more recently there have been signs that Japanese car buyers are coming out of The Japanese industry faces challenges of epic dimensions, says Arthur Way Planned component purchases

### Recession forces urgent rethink

hibernation. However, the to experience a 13 per cent reductions in an attempt to as Korea, the Philippines and strength of the yen remains a serious barrier to the motor industry's export effort.

It is hardly surprising that latest financial results have made dismal reading. In the tyre sector, for example, Bridgestone - the number one manufacturer - saw its turnover fall by 8 per cent in 1993 and suffered a 53 per cent decline in pre-tax profits. The company cited a sharp reduction in orders from domestic car manufacturers, a sector where it holds a 50 per cent market share, as the principal

In addition, the Japanese replacement market was depressed with consumers trading down to cheaper brands and, adding a further twist, prices came under severe pressure. The same circumstances led Sumitomo Rubber

drop in turnover and a 69 per cent fall in pre-tax profits.

in another product category, the ball-bearing producer NSK recorded an 8 per cent fall in turnover and a 20 per cent decline in pre-tax profits during the year to end-March 1994. The underlying trend was even worse, since a profit was achieved only by realising a capital gain through the sale of investments. Sales to motor industry customers fell by an above average 9 per cent.

Vehicle manufacturers' profits have been sliding, too, with consequent wide-ranging cost-cutting measures. These seem likely to have an adverse impact on the components sector. Reports indicate that vehicle producers are taking a robust approach during supply seeking substantial price restore profitability and compensate for the yen's strength.

yota, for example, is

understood to be looking for price reductions of around 15 per cent during the three years to 1997, while Mazda - which incurred a pretax loss of Y48bn in the year to end-March 1994 - is looking for quicker results with price cuts of around 10 per cent during the 1994/95 financial year. Even the smaller producers are in the hunt for big reductions. Dalhatsu is believed to be seeking an across-the-board reduction in unit component prices of 20 per cent over the next

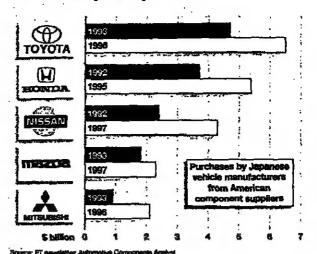
"requests" could result in an increasing volume of component imports from other nations in south-east Asia such

Thailand where unit costs are lower. Longer term, the region will provide Japanese vehicle makers with an increasing range of component sourcing options, many of which will be exercised in the interests of maintaining international com-

petitiveness,

Some of these new vehicle manufacturing ventures are being established with help from Japanese manufacturers, and it is logical to expect growing ties which will involve, among other things, an increasing flow of components into Japan from cost-effective sources. Honda is well advanced in establishing a components supply network in south-east Asia, while Mitsubishi is importing parts from Korean-based Hyundal.

Another threat arises over the likelihood of rising compo-



nent shipments from America, as Japan comes under mounting pressure to narrow the trade gap. The five largest Japanese vehicle producers hishi and Mayda - have all announced plans to boost purchases from American compo nent producers. This will

involve a higher level of imports into Japan for domestic vehicle assembly as well as greater use of local suppliers in

overseas assembly operations. Toyota envisages that its burchases from American component producers will rise by level in 1993, increasing still further to \$6.5bn in 1996. Nissan's purchases are due to rise from \$2.4bn in 1992 to \$4.3bn in 1997, Mitsubishi's from \$900m in 1993 to \$2.1bn in 1996, Honda's from \$3.7bn in 1992 to \$5.2bn in 1995, and Mazda's from \$1.8bn in 1993 to \$2.3bn in

Even without this political pressure, the currency factor has resulted in overseas assembly plants of Japanese vehicle producers stepping up their purchases from local sources rather than using high cost supplies from Japan.

All the factors mentioned are combining to force an urgent rethink among Japanese com ponent suppliers concerning the most appropriate strategy for future survival. First-tier producers of systems are likely to expand purchases of materials and components from for

eign sources. Another trend widely expected is an increase in partner-ships with American and European companies to share research and development costs and facilitate entry into a wider international market

Arthur Way checks progress in promoting manufacture of parts

### China gears up for the future

with the necessary financial, managerial and technological resources are shaping up to participate in the development of China's motor industry. The experien

promises to be exciting, occasionally bumpy, but ultimately highly rewarding. In 1993, the country's vehicle output amounted to a reported 1.28m units with the emphasis on commercial vehicles. Government forecasts indicate that production will rise markedly by the end of the 1990s to 3m a year with cars and

multi-purpose vehicles (people carriers) accounting for much of the increase. Further substantial growth is virtually guaranteed as the country fulfils its prom-ise to become one of the world's leading

Recent years have witnessed a hectic pace in motor industry development. Component industry investment, though, has tended to lag.

To allow the components sector to catch up, the government recently announced plans to withhold approval for new vehicle manufacturing projects until 1996. The only venture expected to escape this freeze is the proposed minivan project, for which Chrysler is the main conten

Moreover, approval for any future vehicle assembly operation is expected to be conditional on achieving an initial local content of at least 40 per-cent, rising to 60 per cent within three years.

Official policy favours an expansion in nents sector. This is being promoted in two main ways. First, vehicle manufacturers who already have an assembly presence are being encouraged to increase local content. And second,

phase of motor industry development are required to show their commitment by setting up component manufacturing

operations as a first step. Citroën's newly established venture to produce a version of its ZX model - at an annual rate of 35,000 within two years, and with an eventual target of 150,000 will feature an increasing proportion of Chinese-built parts. The aim is to reach a local content of 90 per cent as quickly as possible, which has led the company to encourage some of its European suppliers to the Spanish-built ZX to set up in China. Tudor, the Spanish battery manufacturer, has already declared its intention to establish a Chinese plant.

here are signs that Toyota is preparing for a bigger role. So far the Japanese company's main involvem has been providing technical help together with a licence to a local producer for the manufacture of light commercial vehicles. The majority of components are imported from Japan, but the strength of the yen has added to the urgency of build-ing up local content which stands at around 20 per cent. Now Toyota is assisting in the establishment of facilities to produce steering and transmission components, with the aim of boosting the figure to 40 per cent in 1994 and to 70 per cent

during the second half of the 1990s. In June, Ford announced plans to invest \$50m in setting up its first Chinese manufacturing facilities. These are to be in the components sector and involve joint ventures with two local suppliers - Shanghai Automotive Industry Corporation and Shanghai Yao Hua Glass Works. Ford is

tures, both of which are conditional on receiving official approval.

three years.

The joint venture with Yan Feng - China's largest supplier of automotive trim components - will produce plastic components such as instrument panels, interio trim and seats. Operations will take place at one of the Chinese partner's existing facilities and at a new factory which is due to start output in autumn 1994. The joint venture with Yao Rua will be named Shanghai Fu Hua Glass Company, and will produce automotive safety glass and ctural glass.

A wide range of European groups are establishing component manufacturing facilities in China. SKF is setting up an operation to manufacture ball bearings, hile Valeo has established a joint ven ture with local partners for the manufac-

ture of windscreen wiper equipment.
UK component suppliers have not played a particularly prominent role in China's components sector. Part of the reason probably stems from the absence of a British-based vehicle manufacturer in the country. But some component groups have established a presence and there is the likelihood of more to come as others examine opportunitie

Lucas is actively pursuing opportunities in China and already has a licensing arrangement for brake actuation equipment. The company recently conclu joint venture agreement with Mando (o Korea) to supply brake calipers, in which Lucas will have a 20 per cent holding.

Automotive Products (AP), a subsidiary

of BBA, has agreements with local interests with the result that all modern seneration Chinese trucks are equipped with chitches produced under licence from AP.

### Inflated ideas on safety

John Griffiths assesses the proliferation of airbags and air-conditioning

Cars are becoming ever more complex and sophisticated as a result of stricter safety and environmental laws and consumers becoming more

The trend is summed up in the motor industry buzz phrase more car per car". As more high-tech component systems are added, so their suppliers can earn significantly more per vehicle produced.

It is not often that two highvalue components systems emerge together to provide suppliers with the potential for a leap in earnings. But such is the case with airbags - being adopted at a rate much faster than expected two years ago and with air-conditioning.

Airbags, which inflate by explosive charge from the dashboard to prevent injury in a frontal collision, are a relatively new technology. Air-con-ditioning is far older but traditionally has been very expensive in Europe – typically at least £1,000 per car as an option. However, new capacity to produce air-condi-

several European centres. Airconditioning now appears poised to spread through a far larger section of the European car market as manufacturers perceive that it could prove a valuable volume car market sales tool. Peugeot, for example, has disconcerted fleet mar-ket rivals in the UK by deciding to fit "a/c" as standard in all 405s sold in in the UK.

Its potential growth Europe was underlined last month when Australia's Air International Group and the UK's Unipart components group launched a new 50-50 joint venture, Automotive Climate Systems, to design, develop and manufacture airconditioning, heating and ventilation systems for the Euro-

pean vehicle industry. The venture is being set up on the basis of forecasts that European demand for a/c systems will triple to 6m units a year by 2000 - business worth about £5bn annually. in 1990, European sales of a/c systems totalled 940,000 units,

tioning is coming on stream in although production was higher at 1.6m because of the high level of exports by European car makers to countries such as the US, where air-conditioning is virtually standard.

he largest new venture

into a/c. however, has been made by Nippondenso, Japan's largest vehicle components maker, which has invested £65m with Fiat components subsidiary Magneti Marelli in a plant at Telford in the UK with a capacity of 500.000 units a year, TRW, the US components

multinational which, like rival AlliedSignal, is establishing airbag production capacity in Europe, forecasts that the world demand for airbags will grow from about 17m this year to some 60m in 1998.

TRW is investing £8m in a facility at Houghton-le-Spring, Wearside, to produce electronic trigger mechanisms for the bags. AlliedSignal has signed a three-way venture with two Italian groups, Gilardini and Sequa, to supply advanced air-

bag inflators to European manulacturers. The venture will be

based in Colleferro, Italy. One of the most intractable car safety problems arises from side collisions, where only the thickness of the car door protects against injury.

With question marks increasingly being raised over the effi-cacy of anti-intrusion bars within the doors an increasing amount of research is going on

Mercedes-Benz, invented the original steering wheel airbag and is now developing side airbags, stresses the technological difficulties involved. At 30mph, say its engineers, it can take just 15 milliseconds for an occupant to come into contact with the inside of the door. So, to offer maximum protection the airbag may have to inflate even before impact - thus requiring proximity sensors. Quite how they are to differentiate between a harmlessly passing bicycle and a potential car-tocar impact has yet to be fully worked out.

## What's in a name?

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